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LEGISLATIVE HISTORY  
Public Law 91-53  
H. R. 9951

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## INDEX AND SUMMARY OF H. R. 9951

April	3, 1969	Rep. Mills introduced H. R. 9951 which was referred to Ways and Means Committee. Print of bill as introduced.
April	22, 1969	House committee reported H. R. 9951 with amendments. H. Report No. 91-155. Print of bill and report.
May	13, 1969	House passed H. R. 9951 as reported.
May	16, 1969	H. R. 9951 was referred to Senate Finance Committee. Print of bill as referred.
June	26, 1969	Senate committee reported H. R. 9951 with an amendment. S. Report No. 91-281. Print of bill and report.
July	30, 1969	Senate began debate on H. R. 9951.  Sen. Long, La., submitted a proposed amendment to continue the 10-percent surtax through Dec. 31, 1969.
July	31, 1969	Senate passed H. R. 9951 with amendment.  House Rules Committee granted rule making it in order to agree to the Senate amendment.
Aug.	1, 1969	House Rules Committee reported resolution to provide that House agree to Senate amendment to H. R. 9951.
Aug.	4, 1969	House concurred in Senate amendment.
Aug.	7, 1969	Approved: Public Law 91-53.







91ST CONGRESS  
1ST SESSION

# H. R. 9951

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 3, 1969

Mr. MILLS (for himself and Mr. BYRNES of Wisconsin) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That section 3306 (a) of the Internal Revenue Code of 1954  
4       (relating to definition of employer) is amended to read as  
5       follows:

1       “(a) EMPLOYER.—For purposes of this chapter, the  
 2 term ‘employer’ does not include any person unless on each  
 3 of some 20 days during the taxable year or during the  
 4 preceding taxable year, each day being in a different calen-  
 5 dar week, the total number of individuals who were employed  
 6 by him in employment for some portion of the day (whether  
 7 or not at the same moment of time) was 4 or more.”

8       **SEC. 2. COLLECTION OF FEDERAL UNEMPLOYMENT TAX**  
 9               **ON QUARTERLY OR OTHER TIME PERIOD BASIS.**

10       (a) QUARTERLY PAYMENT OF FEDERAL UNEMPLOY-  
 11       MENT TAX.—Subchapter A of chapter 62 of the Internal  
 12       Revenue Code of 1954 (relating to place and due date for  
 13       payment of tax) is amended by redesignating section 6157  
 14       as 6158, and by inserting after section 6156 the following  
 15       new section:

16       **“SEC. 6157. PAYMENT OF FEDERAL UNEMPLOYMENT TAX**  
 17               **ON QUARTERLY OR OTHER TIME PERIOD**  
 18               **BASIS.**

19       “(a) GENERAL RULE.—Every person who for the cal-  
 20       endar year is an employer (as defined in section 3306 (a) )  
 21       shall—

22               “(1) if the person in the preceding calendar year  
 23       employed 4 or more employees in employment (within  
 24       the meaning of section 3306 (c) and (d) ) on each of  
 25       some 20 days during such preceding calendar year, each



1 such day being in a different calendar week, compute  
2 the tax imposed by section 3301 for each of the first three  
3 calendar quarters in the calendar year, and

4 “(2) if paragraph (1) does not apply, compute the  
5 tax imposed by section 3301—

6 “(A) for the period beginning with the first  
7 day of the calendar year and ending with the last day  
8 of the calendar quarter (excluding the last calendar  
9 quarter) in which such person becomes such an em-  
10 ployer, and

11 “(B) for the third calendar quarter of such  
12 year, if the period specified in subparagraph (A)  
13 includes only the first two calendar quarters of the  
14 calendar year.

15 The tax for any calendar quarter or other period shall be  
16 computed as provided in subsection (b) and the tax as so  
17 computed shall, except as otherwise provided in subsection  
18 (c), be paid in such manner and at such time as may be pro-  
19 vided in regulations prescribed by the Secretary or his dele-  
20 gate.

21 “(b) COMPUTATION OF TAX.—The tax for any cal-  
22 endar quarter or other period referred to in paragraph (1)  
23 or (2) of subsection (a) shall be computed by multiplying  
24 the amount of wages (as defined in section 3306(b)) paid

1 in such calendar quarter or other period by the number of  
2 percentage points (including fractional points) by which the  
3 rate of tax specified in section 3301 exceeds 2.7 percent.

4 “(c) SPECIAL RULE FOR CALENDAR YEARS 1970 AND  
5 1971.—For purposes of subsection (a), the tax computed as  
6 provided in subsection (b) for any calendar quarter or other  
7 period shall be reduced (1) by  $66\frac{2}{3}$  percent if such quarter or  
8 period is in 1970, and (2) by  $33\frac{1}{3}$  percent if such quarter or  
9 period is in 1971.”

10 (b) ASSESSMENT AUTHORITY.—Section 6201 (b) of  
11 such Code (relating to assessment authority) is amended to  
12 read as follows:

13 “(b) AMOUNT NOT TO BE ASSESSED.—

14 “(1) ESTIMATED INCOME TAX.—No unpaid  
15 amount of estimated tax under section 6153 or 6154  
16 shall be assessed.

17 “(2) FEDERAL UNEMPLOYMENT TAX.—No unpaid  
18 amount of Federal unemployment tax for any calendar  
19 quarter or other period of a calendar year, computed as  
20 provided in section 6157, shall be assessed.”

21 (c) TREATMENT OF QUARTERLY PAYMENT OF FED-  
22 ERAL UNEMPLOYMENT TAX.—Subchapter B of chapter 64  
23 of such Code is amended by adding at the end thereof the  
24 following new section:



1   **“SEC. 6317. PAYMENTS OF FEDERAL UNEMPLOYMENT TAX**  
2                   **FOR CALENDAR QUARTER.**

3           “Payment of Federal unemployment tax for a calendar  
4   quarter or other time period within a calendar year pursu-  
5   ant to section 6157 shall be considered payment on account  
6   of the tax imposed by chapter 23 for such calendar year.”

7           (d) **TIME TAX CONSIDERED PAID.**—Section 6513 of  
8   such Code (relating to time return deemed filed and tax con-  
9   sidered paid) is amended by adding at the end thereof the  
10   following new subsection:

11          “(e) **PAYMENTS OF FEDERAL UNEMPLOYMENT**  
12   **TAX.**—Notwithstanding subsection (a), for purposes of sec-  
13   tion 6511 any payment of tax imposed by chapter 23 which,  
14   pursuant to section 6157, is made for a calendar quarter or  
15   other period within a calendar year shall, if made before  
16   the last day prescribed for filing the return for the calendar  
17   year (determined without regard to any extension of time  
18   for filing), be considered made on such last day.”

19          (e) **INTEREST ON UNDERPAYMENTS OR NONPAY-**  
20   **MENT OF TAX.**—Section 6601 of such Code (relating to in-  
21   terest on underpayment or nonpayment of tax) is amended  
22   by redesignating subsection (k) as subsection (l) and by  
23   adding a new subsection (k) to read as follows:

24          “(k) **EXCEPTION AS TO FEDERAL UNEMPLOYMENT**

1 TAX.—This section shall not apply to any failure to make a  
 2 payment of tax imposed by section 3301 for a calendar  
 3 quarter or other period within a taxable year required under  
 4 authority of section 6157.”

5 (f) TECHNICAL AND CLERICAL AMENDMENTS.—

6 (1) The table of sections for subchapter A of chap-  
 7 ter 62 of the Internal Revenue Code of 1954 is amended  
 8 by striking out

“Sec. 6157. Payment of taxes under provisions of the Tariff Act.”

9 and inserting in lieu thereof

“Sec. 6157. Payment of Federal unemployment tax on quarterly or  
 other time period basis.

“Sec. 6158. Payment of taxes under provisions of the Tariff Act.”

10 (2) The table of sections for subchapter B of chap-  
 11 ter 64 of such Code is amended by adding at the end  
 12 thereof the following:

“Sec. 6317. Payments of Federal unemployment tax for calendar  
 quarter.”

13 SEC. 3. EMPLOYMENT SECURITY ADMINISTRATION AC-  
 14 COUNT.

15 (a) Paragraph (3) of section 901 (c) of the Social  
 16 Security Act is amended to read as follows:

17 “(3) For purposes of paragraph (1) (A), the limita-  
 18 tion on the amount authorized to be made available for any  
 19 fiscal year is an amount equal to 95 percent of the amount  
 20 estimated and set forth in the budget of the United States  
 21 Government for such fiscal year as the net receipts during

1 such year under the Federal Unemployment Tax Act; except  
2 that this limitation is increased by any unexpended amount  
3 retained in the employment security administration account  
4 in accordance with section 901 (f) (2) (B). Each estimate of  
5 net receipts under this paragraph shall be based upon a tax  
6 rate of 0.4 percent.”

7 (b) Paragraph (2) of section 901 (f) of such Act is  
8 amended (1) by striking out “The” and inserting in lieu  
9 thereof “(A) Except as provided in subparagraph (B),  
10 the”, and (2) by adding at the end thereof the following:  
11 “(B) With respect to the fiscal years ending June 30,  
12 1970, June 30, 1971, and June 30, 1972, the balance in the  
13 employment security administration account at the close of  
14 each such fiscal year shall not be considered excess but shall  
15 be retained in the account for use as provided in paragraph  
16 (1) of subsection (c).”

17 **SEC. 4. EFFECTIVE DATE.**

18 (a) The amendments made by the first two sections of  
19 this Act shall apply with respect to calendar years beginning  
20 after December 31, 1969.

21 (b) The amendments made by section 3 shall take effect  
22 upon enactment of this Act.

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## A BILL

To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

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By Mr. Mills and Mr. Byrnes of Wisconsin

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APRIL 3, 1969

Referred to the Committee on Ways and Means







Rep. Morton inserted the remarks of Sen. Mathias reviewing the "current international trade picture, the decisions already made by President Nixon, and the questions which we will face in the coming months." pp. H2940-1.

14. EDUCATION. Continued debate on H. R. 514, to extend programs of assistance for elementary and secondary education, including technical assistance to rural areas and aid to federally impacted areas. pp. H2883-911, E3218.

15. BUDGET. Rep. Addabbo expressed disturbance over President Nixon's "so-called budget cuts." p. H2881.

Rep. Passman stated that the President in his revised budget, "when the military assistance program is included, is asking for more foreign aid funds than did Mr. Johnson in January." p. H2881.

16. PORK INDUSTRY. Rep. Denney saluted the pork industry in Nebraska for helping "to meet the needs of a productive people...and in providing nourishment to citizens across the Nation." p. H2882.

Rep. Schwengel stated the pork industry "is disturbed about the bad image" created for pigs in the "Keep America Beautiful" campaign. He paid tribute to the pork industry and inserted "The Story of Pork" published by the American Meat Institute. pp. H2917-27.

17. TAXATION. The Ways and Means Committee reported with amendments H. R. 9951, relative to the collection of Federal unemployment tax (H. Rept. 91-155). p. H2944.

Rep. Hanley expressed the hope that the Ways and Means Committee will "present the House with a comprehensive tax reform bill which will substantially increase the revenue available to the Federal Government without increasing at all the burden already imposed on our low- and moderate-income taxpayers," and related some relevant thoughts on this matter. pp. H2932-6.

Rep. Vanik stated closer examination of the proposal "to lighten the burden of those who pay too much and increase the taxes of those who pay too little...does not live up to this billing." pp. H2939-40.

Rep. Conte commended the President and Secretary of the Treasury for their latest tax reform proposals. pp. H2915-16.

18. INFLATION. In discussing "our hope for doing something about inflation" Rep. Hanna stated, "We need a fiscal policy. We need a monetary policy but just as sorely we need a wage policy and a price policy. Where all are not working then none will ultimately work." p. H2912.

Rep. Moss inserted an editorial, "War on Inflation Is Fought on Old, Cowardly, Astigmatic Lines." pp. H2931.

19. TIMBER. Reps. Hicks and Dellenback expressed support for bill to increase the timber yield in the Federal forests. pp. H2912-13, H2917.

20. CENSUS. Rep. Hall inserted a letter from the Secretary of Commerce advising of "some immediate changes in census procedure." p. H2938.

21. PEACE CORPS. Received from the Peace Corps a proposed bill to amend further the Peace Corps Act; to Foreign Affairs Committee. p. H2943.

EXTENSION OF REMARKS

22. TIMBER SUPPLY. Rep. Olsen spoke in support of the proposed National Timber Supply Act. p. E3197.
23. CENSUS. Reps. Boland, Findley, and Rumsfeld inserted material relating to the "complex and wideranging questionnaire that the Census Bureau proposes to send into the homes of this country next year." pp. E3198-9, E3219-20, E3245-6.
24. WATER POLLUTION. Rep. Landgrebe stated that there is "urgent need" for the Senate to act on the House passed water pollution control bill. p. E3202.  
Rep. Jones, Ala., inserted an article on the problems of solid wastes disposal. pp. E3210-1.
25. JOB CORPS. Rep. Johnson, Calif., stated that the order to "cut the heart out of the Job Corps program in the name of economy, will prove to be foolish, false economy..." pp. E3207-9.
26. TAXATION. Rep. Biaggi recommended tax changes to achieve equality. pp. E3213-4.  
Rep. William Ford said he was disappointed that the President's tax reform proposals were not more comprehensive. p. E3225.
27. MARINE RESOURCES. Rep. Anderson, Ill., expressed support for passage of the bill to extend the life of the Marine Resources and Engineering Development Council. pp. E3214-7.
28. TRANSPORTATION. Rep. Murphy, N.Y., inserted an article, "Role of the Domestic Freight Forwarder." pp. E3222-4.
29. FOREIGN TRADE. Rep. Findley inserted excerpts from a booklet, "Voluntary Quotas on Textiles: A Contradiction in U. S. Trade Policy", which very effectively "explodes" "The Myth of Voluntary Quotas." pp. E3242-3.
30. EMPLOYMENT. Rep. Clay inserted an article, "Bias Is Charged In Civil Service." p. E3245.

BILLS INTRODUCED

31. PERSONNEL H.R. 10394 by Rep. Leggett, to amend subchapter III of chapter 83 of title 5, U.S.C., relating to civil service retirement, and for other purposes; to Post Office and Civil Service Committee.  
H.R. 10401 by Rep. Moss, to amend the provisions of chapter 5 of title 5, U.S.C., relating to the application of the public information and disclosure provisions of such chapter; to Government Operations Committee.  
H.R. 10416 by Rep. Watson, to protect the civilian employees of the executive branch of the U.S. Government in the enjoyment of their constitutional rights and to prevent unwarranted governmental invasions of their privacy; to Post Office and Civil Service Committee.
32. REORGANIZATION. H.R. 10426 by Rep. Rees and H.R. 10427 by Rep. Hungate, to improve the operation of the legislative branch of the Federal Government; to Rules Committee. Remarks of Rep. Rees pp. H2913-4.



## COLLECTION OF FEDERAL UNEMPLOYMENT TAX

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APRIL 22, 1969.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

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Mr. MILLS, from the Committee on Ways and Means,  
submitted the following

### REPORT

[To accompany H.R. 9951]

The Committee on Ways and Means, to whom was referred the bill (H.R. 9951) to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, beginning in line 13, strike out "redesignating" and all that follows through line 15, and insert:  
striking our section 6157 and by inserting in lieu thereof the following:

Page 3, lines 17 and 18, strike out "subsection (c)," and insert: subsections (c) and (d),

Page 4, strike out the quotation marks at the end of line 9 and after line 9 insert:

"(d) SPECIAL RULE WHERE ACCUMULATED AMOUNT DOES NOT EXCEED \$100.—Nothing in this section shall require the payment of tax with respect to any calendar quarter or other period if the tax under section 3301 for such period, plus any unpaid amounts for prior periods in the calendar year, does not exceed \$100."

Page 5, line 4, strike out "time".

Page 6, strike out the last line of the matter following line 9 and insert quotation marks at the end of the preceding line in such matter.

## BACKGROUND AND PURPOSE

Although Congress determines the actual amounts that may be spent by the Federal and State agencies engaged in administering the unemployment compensation and employment service programs each year, the source of funds to pay these expenses is limited by law to a portion of the Federal unemployment tax. Under present law, State grants for costs of employment security activities are limited to 95 percent of net collections of the Federal portion of unemployment tax receipts.

According to estimates of the Department of Labor, under President Nixon's revised budget for fiscal year 1970, the program's administrative expenses will exceed the revenues from the Federal Unemployment Tax Act (FUTA) by about \$26 million. The deficit will increase in each succeeding fiscal year, under present law, because expenses are increasing at a faster rate than revenue.

Net FUTA collections are 0.4 percent of the first \$3,000 of an employee's annual wages. In his appearance before your committee, Secretary of Labor George P. Shultz stated that:

When this limit on taxable payroll was added to the program 30 years ago, its effect was negligible, because about 98 percent of covered payrolls continued to be taxed. But the situation has changed drastically in those 30 years. Today, less than half of covered payrolls are taxable, and the proportion declines every year. Annual increases in FUTA revenue are now due primarily to growth in the number of covered workers, and very little to the increases in wage levels.

Administrative costs, however, do reflect wage levels, and therefore they increase as salaries, rents and prices of other goods and services necessary to operate the employment security program go up. For example, the Congressional appropriations for State employment security grants for fiscal year 1969 were \$178,578,000 higher than those for fiscal year 1964. Of this increase, almost 78 percent was accounted for by increases which are not controllable within the unemployment insurance program, primarily salary increases for State employees approved by State legislatures for all employees of the State. A little over 22 percent of the increase was attributable to program increases, predominantly for the employment service, particularly services for youth. The increases were offset by increased productivity and management improvement (a saving of \$21,113,000) and a decline in unemployment insurance claims workloads (\$14,772,000).

Even if the budget for fiscal year 1970 included no program improvements over 1969, the mandatory increases would bring the cost above the receipts.

H.R. 9951 would provide temporary relief for this problem, by means of a permanent change which is in itself desirable. The bill calls for a shift from annual collections of the Federal unemployment tax at the end of the year to quarterly collections during the year

Quarterly collections would provide the program with a more orderly flow of income, and would reduce the need to rely on interest-bearing advances from the revolving fund for administrative expenses at the beginning of the fiscal year. This saving, which would be realized first in fiscal year 1971, would amount to over \$5 million for the 2 years 1971 and 1972.

The change would be phased in gradually over a 3-year period to ease the financial burden on employers. The employer would continue to file only one annual return under the FUTA, and he would not be required to make a deposit unless it exceeded \$100, except in connection with the annual return.

Although no employer's tax liability would be increased for any year under this legislation, during the transition period, total income to the Federal Unemployment Trust Fund would be increased. In each transition calendar year (1970, 1971, 1972) the taxes collected would be roughly equivalent to taxes on five quarters' wages as a result of the phasing in of quarterly collections. In each calendar year after that taxes for four quarters would be collected. On a fiscal year basis, however, during the three transition fiscal years 1970, 1971, and 1972, fiscal year collections would be equal to collections for four and one-third quarters each fiscal year. The additional income in the transitional years would provide funds needed to meet anticipated administrative costs during the period. Any amount by which total tax collections exceed administrative expenses during the fiscal years 1970, 1971, and 1972 would remain available to be appropriated for administrative expenses until expended.

Your Committee is unanimous in recommending enactment of this bill.

## DETAILED EXPLANATION OF THE PROVISIONS

### QUARTERLY TAX PAYMENTS

Beginning with calendar year 1970, the revenues collected each year from the 0.4 percent Federal unemployment tax on employer wages, which is the source for financing the regular annual administrative costs of the Federal-State employment security program, would be shifted from annual tax payments to quarterly installment payments throughout the year. The change to quarterly installment payments would have the result, during the 3-year changeover period, of making more tax money available than otherwise would be the case. This would result not from an increase in tax rates, but from the speedup in the method of tax collection.

Under the bill, the Federal tax of affected employers would be computed by the employer during the month following the end of each calendar quarter, beginning with taxes on wages paid in calendar year 1970.

However, no employer would file a quarterly return of wages paid. All that would be required would be a quarterly deposit of taxes when unpaid tax liabilities are in excess of \$100. Deposit forms would be provided by the Internal Revenue Service. Thus, in January 1970, an affected employer would be required to file his tax return and to pay the full tax due for calendar 1969, as under present law. At the end of April, if his tax liability was more than \$100, he would deposit his first quarter taxes. Similar deposits would be



required at the end of July and the end of October. At the end of January 1971, however, he would be required to file his tax return and to pay any taxes due in excess of his quarterly payments.

In order to ease the adjustment of employers to the new payment schedule, the change to full quarterly payments would be made gradually, as has been done with other similar changes in tax payment schedules. In the first year, the employer would deposit one-third of his quarterly tax at the end of each of the first three quarters, and would pay the remainder of his tax with his annual tax return at the end of the year. In the second year the quarterly deposit would be increased to two-thirds of the quarter's tax, and to the full amount in the third year.

The tax in respect to one or more calendar quarters would be required to be deposited, in accordance with regulations issued under the authority of section 6302(c) of the Internal Revenue Code, by the employer and not paid directly to the Internal Revenue Service. The bill provides for the payment of taxes after the end of the calendar quarter in which accumulated tax liabilities for that calendar year are in excess of \$100. However, if prior deposits have reduced the unpaid liability to \$100 or less, no quarterly payment would be required until the accrued liability again exceeds \$100. Any taxes not paid by quarterly desposit would be paid, as under present law, after the end of the calendar year.

#### EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

In order to make the additional taxes collected in fiscal years 1970, 1971, and 1972 fully available for administrative costs, the bill provides for retention of the funds in the Employment Security Administration Account, and for adjustments in the ceiling on appropriations for State grants.

Under existing provisions of the Social Security Act, any excess of collections over expenses remaining in the Employment Security Administration Account at the end of a fiscal year is credited to the Federal unemployment account—the so-called loan account. The current balance in the loan account is more than adequate to cover any anticipated demands on it during the period covered by the bill. The bill, therefore, provides that all amounts by which collections during the 3 transition years, fiscal years 1970, 1971, and 1972, exceed costs during those years would be retained in the administration account rather than be transferred to the loan account.

Under existing laws State grants for administrative costs are limited to 95 percent of estimated fiscal year collections. The bill would increase this limit by any unexpended balance of the transition-years' collections remaining in the administration account. This increase in the State grant ceiling would be applicable to any fiscal year as long as any of the amounts collected in fiscal years 1970 through 1972 remain in the administration account. The actual amount appropriated for administrative costs in any year would, of course, continue to be determined by congressional appropriations.

## DEFINITION OF EMPLOYER

The present law defines an "employer" for purposes of determining a person's liability for Federal unemployment taxes as a person who in a calendar year has at least four employees on each of 20 days in that year, each of the 20 days occurring in a different calendar week. Inasmuch as this test could not be met until the second calendar quarter of a year, a change to a quarterly tax collection requires a change in the definition if quarterly payments are to be required for the first calendar quarter of any year. Therefore, under this bill the definition would be enlarged to include within the definition a person who meets the test in present law in either a current calendar year or in the preceding calendar year.

## EFFECTIVE DATES

The changes made by the bill relating to the definition of employer and to the quarterly collection of Federal unemployment taxes would be effective for calendar years 1970 and thereafter.

The changes relating to the amounts authorized to be available to the Employment Security Administration Account would be effective on the date of enactment.

TABLE I.—ESTIMATED FUTA COLLECTIONS UNDER CURRENT LAW AND PHASED QUARTERLY COLLECTIONS, FISCAL YEARS 1970-73

Fiscal year	Wages paid in—	FUTA collected in (under quarterly collections)	Amount collected (millions)	
			Current law	Phased quarterly collections
1970-----	Calendar year 1969-----	January 1970-----	\$665.0	\$665.0
	January to March 1970-----	April 1970 (1/3)-----		60.3
		Fiscal year total-----	665.0	725.3
1971-----	April to June 1970-----	July 1970 (1/3)-----		66.6
	July to September 1970-----	October 1970 (1/3)-----		47.7
	October to December 1970-----	January 1971 (full and remainder of earlier quarters)-----		520.4
	January to March 1971-----	April 1971 (2/3)-----		141.1
		Fiscal year total-----	695.0	775.8
1972-----	April to June 1971-----	July 1971 (2/3)-----		142.5
	July to September 1971-----	October 1971 (2/3)-----		91.4
	October to December 1971-----	January 1972 (full and remainder of earlier quarters)-----		350.0
	January to March 1972-----	April 1972 (full)-----		241.6
		Fiscal year total-----	725.0	825.5
1973-----	April to June 1972-----	July 1972 (full)-----		224.4
	July to September 1972-----	October 1972 (full)-----		135.9
	October to December 1972-----	January 1973 (full)-----		153.1
	January to March 1973-----	April 1973 (full)-----		251.2
		Fiscal year total-----	755.0	764.6

Source: U.S. Department of Labor, Manpower Administration.

TABLE II.—ESTIMATED FEDERAL UNEMPLOYMENT TAX COLLECTIONS COMPARED WITH COSTS OF EMPLOYMENT SECURITY ADMINISTRATION UNDER CURRENT LAW AND PHASED QUARTERLY COLLECTIONS, FISCAL YEARS 1969-72

[In millions of dollars]

	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972
FUT collections:				
Current law.....	<sup>1</sup> 632.0	665.0	695.0	725.0
Legislative limitation on grants to States, 95 percent.....	(600.4)	(631.7)	(660.2)	(688.7)
Phased quarterly collections.....		725.3	775.8	825.5
Employment security administrative costs:				
Grants to States.....	<sup>1</sup> 604.1	<sup>2</sup> 657.7	<sup>3</sup> 704.0	<sup>3</sup> 750.4
Federal.....	35.9	<sup>2</sup> 33.3	<sup>3</sup> 32.8	<sup>3</sup> 31.8
Total.....	640.0	<sup>2</sup> 691.0	<sup>3</sup> 736.8	<sup>3</sup> 782.2
Surplus or deficit:				
Current law.....	-8.0	-26.0	-41.8	-57.2
Phased quarterly collections.....		+34.3	+39.0	+43.3

<sup>1</sup> The FUT collection estimate was reduced from \$652 after the budget had been acted on by Congress.

<sup>2</sup> Estimate included in President Nixon's budget.

<sup>3</sup> Estimates provide for only mandatory increases in administrative costs. Reductions in Federal costs due to lessened need for advances from revolving fund, and corresponding reduction in interest charges, resulting from earlier receipt of income under phased quarterly collections.

Source: Interstate Conference of Employment Security Agencies.

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

## INTERNAL REVENUE CODE OF 1954

\* \* \* \* \*

## CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

\* \* \* \* \*

### SEC. 3306. DEFINITIONS.

(a) EMPLOYER.—For purposes of this chapter, the term "employer" does not include any person unless on each of some 20 days during the taxable year *or during the preceding taxable year*, each day being in a different calendar week, the total number of individuals who were employed by him in employment for some portion of the day (whether or not at the same moment of time) was 4 or more.

\* \* \* \* \*

## CHAPTER 62—TIME AND PLACE FOR PAYING TAX

SUBCHAPTER A. Place and due date for payment of tax.  
SUBCHAPTER B. Extensions of time for payment.



# Subchapter A—Place and Due Date for Payment of Tax

Sec. 6151. Time and place for paying tax shown on returns.

Sec. 6152. Installment payments.

Sec. 6153. Installment payments of estimated income tax by individuals.

Sec. 6154. Installment payments of estimated income tax by corporations.

Sec. 6155. Payment on notice and demand.

Sec. 6156. Installment payments of tax on use of highway motor vehicles.

**[Sec. 6157. Payment of taxes under provisions of the Tariff Act.]**

*Sec. 6157. Payment of Federal unemployment tax on quarterly or other time period basis.*

\* \* \* \* \*

## **[SEC. 6157. PAYMENT OF TAXES UNDER PROVISIONS OF THE TARIFF ACT.]**

**[For collection under the provisions of the Tariff Act of 1930 of the taxes imposed by section 4501(b), and subchapters A, B, C, D, and E of chapter 38, see sections 4504 and 4601, respectively.]**

### **SEC. 6157. PAYMENT OF FEDERAL UNEMPLOYMENT TAX ON QUARTERLY OR OTHER TIME PERIOD BASIS.**

*(a) GENERAL RULE.—Every person who for the calendar year is an employer (as defined in section 3306(a)) shall—*

*(1) if the person in the preceding calendar year employed 4 or more employees in employment (within the meaning of section 3306(c) and (d)) on each of some 20 days during such preceding calendar year, each such day being in a different calendar week, compute the tax imposed by section 3301 for each of the first three calendar quarters in the calendar year, and*

*(2) if paragraph (1) does not apply, compute the tax imposed by section 3301—*

*(A) for the period beginning with the first day of the calendar year and ending with the last day of the calendar quarter (excluding the last calendar quarter) in which such person becomes such an employer, and*

*(B) for the third calendar quarter of such year, if the period specified in subparagraph (A) includes only the first two calendar quarters of the calendar year.*

*The tax for any calendar quarter or other period shall be computed as provided in subsection (b) and the tax as so computed shall, except as otherwise provided in subsections (c) and (d), be paid in such manner and at such time as may be provided in regulations prescribed by the Secretary or his delegate.*

*(b) COMPUTATION OF TAX.—The tax for any calendar quarter or other period referred to in paragraph (1) or (2) of subsection (a) shall be computed by multiplying the amount of wages (as defined in section 3306(b)) paid in such calendar quarter or other period by the number of percentage*

points (including fractional points) by which the rate of tax specified in section 3301 exceeds 2.7 percent.

(c) *SPECIAL RULES FOR CALENDAR YEARS 1970 AND 1971.*—For purposes of subsection (a), the tax computed as provided in subsection (b) for any calendar quarter or other period shall be reduced (1) by 66⅔ percent if such quarter or period is in 1970, and (2) by 33⅓ percent if such quarter or period is in 1971.

(d) *SPECIAL RULE WHERE ACCUMULATED AMOUNT DOES NOT EXCEED \$100.*—Nothing in this section shall require the payment of tax with respect to any calendar quarter or other period if the tax under section 3301 for such period, plus any unpaid amounts for prior periods in the calendar year, does not exceed \$100.

## CHAPTER 63—ASSESSMENT

\* \* \* \* \*

### SEC. 6201. ASSESSMENT AUTHORITY.

\* \* \* \* \*

[(b) *ESTIMATED INCOME TAX.*—No unpaid amount of estimated tax under section 6153 or 6154 shall be assessed.]

(b) *AMOUNT NOT TO BE ASSESSED.*—

(1) *ESTIMATED INCOME TAX.*—No unpaid amount of estimated tax under section 6153 or 6154 shall be assessed.

(2) *FEDERAL UNEMPLOYMENT TAX.*—No unpaid amount of Federal unemployment tax for any calendar quarter or other period of a calendar year, computed as provided in section 6157, shall be assessed.

\* \* \* \* \*

## CHAPTER 64—COLLECTION

\* \* \* \* \*

### Subchapter B—Receipt of Payment

Sec. 6311. Payment by check or money order.

Sec. 6312. Payment by United States notes and certificates of indebtedness.

Sec. 6313. Fractional parts of a cent.

Sec. 6314. Receipt for taxes.

Sec. 6315. Payments of estimated income tax.

Sec. 6316. Payment by foreign currency.

Sec. 6317. Payments of Federal unemployment tax for calendar quarter.

\* \* \* \* \*

### SEC. 6317. PAYMENTS OF FEDERAL UNEMPLOYMENT TAX FOR CALENDAR QUARTER.

*Payment of Federal unemployment tax for a calendar quarter or other period within a calendar year pursuant to section 6157 shall be considered payment on account of the tax imposed by chapter 23 for such calendar year.*

\* \* \* \* \*



## CHAPTER 66—LIMITATIONS

\* \* \* \* \*

### SEC. 6513. TIME RETURN DEEMED FILED AND TAX CONSIDERED PAID.

(a) **EARLY RETURN OR ADVANCE PAYMENT OF TAX.**—For purposes of section 6511, any return filed before the last day prescribed for the filing thereof shall be considered as filed on such last day. For purposes of section 6511(b)(2) and (c) and section 6512, payment of any portion of the tax made before the last day prescribed for the payment of the tax shall be considered made on such last day. For purposes of this subsection, the last day prescribed for filing the return or paying the tax shall be determined without regard to any extension of time granted the taxpayer and without regard to any election to pay the tax in installments.

\* \* \* \* \*

(e) **PAYMENTS OF FEDERAL UNEMPLOYMENT TAX.**—Notwithstanding subsection (a), for purposes of section 6511 any payment of tax imposed by chapter 23 which, pursuant to section 6157, is made for a calendar quarter or other period within a calendar year shall, if made before the last day prescribed for filing the return for the calendar year (determined without regard to any extension of time for filing), be considered made on such last day.

\* \* \* \* \*

## CHAPTER 67—INTEREST

\* \* \* \* \*

### SEC. 6601. INTEREST ON UNDERPAYMENT, NONPAYMENT, OR EXTENSIONS OF TIME FOR PAYMENT, OF TAX.

\* \* \* \* \*

(k) **EXCEPTION AS TO FEDERAL UNEMPLOYMENT TAX.**—This section shall not apply to any failure to make a payment of tax imposed by section 3301 for a calendar quarter or other period within a taxable year required under authority of section 6157.

[(k)] (l) **NO INTEREST ON CERTAIN ADJUSTMENTS.**—

For provisions prohibiting interest on certain adjustments in tax, see section 6205(a).

\* \* \* \* \*

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## SOCIAL SECURITY ACT

\* \* \* \* \*

### Employment Security Administration Account

#### Establishment of Account

**Section 901.** (a) There is hereby established in the Unemployment Trust Fund an employment security administration account.

\* \* \* \* \*

#### Administrative Expenditures

(c)(1) There are hereby authorized to be made available for expenditure out of the employment security administration account for

the fiscal year ending June 30, 1964, and for each fiscal year thereafter—

(A) such amounts (not in excess of the limit provided by paragraph (3)) as the Congress may deem appropriate for the purpose of—

(i) assisting the States in the administration of their unemployment compensation laws as provided in title III (including administration pursuant to agreements under any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended),

(ii) the establishment and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U.S.C., secs. 49–49n), and

(iii) carrying into effect section 2012 of title 38 of the United States Code:

(B) such amounts as the Congress may deem appropriate for the necessary expenses of the Department of Labor for the performance of its functions under—

(i) this title and titles III and XII of this Act,

(ii) the Federal Unemployment Tax Act,

(iii) the provisions of the Act of June 6, 1933, as amended,

(iv) subchapter II of chapter 41 (except section 2012) of title 38 of the United States Code, and

(v) any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended.

The term “necessary expenses” as used in this subparagraph (B) shall include the expense of reimbursing a State for salaries and other expenses of employees of such State temporarily assigned or detailed to duty with the Department of Labor and of paying such employees for travel expenses, transportation of household goods, and per diem in lieu of subsistence while away from their regular duty stations in the State, at rates authorized by law for civilian employees of the Federal Government.

\* \* \* \* \*

[(3) For purposes of paragraph (1)(A), the limitation on the amount authorized to be made available for any fiscal year is—

[(A) in the case of the fiscal year ending June 30, 1964, an amount equal to 95 percent of the amount estimated by the Secretary of the Treasury as the net receipts during such fiscal year under the Federal Unemployment Tax Act, and

[(B) in the case of any fiscal year thereafter, an amount equal to 95 percent of the amount estimated and set forth in the Budget of the United States Government for such fiscal year as the net receipts during such year under the Federal Unemployment Tax Act.

Each estimate of net receipts under this paragraph shall be based on a tax rate of 0.4 percent. The Secretary of the Treasury shall report his estimate under subparagraph (A) to the Congress within 30 days after the date of the enactment of this paragraph. Such report shall be printed as a House document.]

(3) *For purposes of paragraph (1)(A), the limitation on the amount authorized to be made available for any fiscal year is an amount equal to 95 percent of the amount estimated and set forth in the budget of the United States Government for such fiscal year as the net receipts during such year under the Federal Unemployment Tax Act; except that this limitation is increased by any unexpended amount retained in the employment security administration account in accordance with section 901(f)(2)(B). Each estimate of net receipts under this paragraph shall be based upon a tax rate of 0.4 percent.*

\* \* \* \* \*

#### Determination of Excess and Amount To Be Retained in Employment Security Administration Account

(f)(1) The Secretary of the Treasury shall determine as of the close of each fiscal year (beginning with the fiscal year ending June 30, 1961) the excess in the employment security administration account.

(2) **[The]** (A) *Except as provided in subparagraph (B), the excess in the employment security administration account as of the close of any fiscal year is the amount by which the net balance in such account as of such time (after the application of section 902(b)) exceeds the net balance in the employment security administration account as of the beginning of that fiscal year (including the fiscal year for which the excess is being computed) for which the net balance was higher than as of the beginning of any other such fiscal year.*

(B) *With respect to the fiscal years ending June 30, 1970, June 30, 1971, and June 30, 1972, the balance in the employment security administration account at the close of each such fiscal year shall not be considered excess but shall be retained in the account for use as provided in paragraph (1) of subsection (c).*

\* \* \* \* \*

○





91<sup>ST</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 9951

[Report No. 91-155]

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 3, 1969

Mr. MILLS (for himself and Mr. BYRNES of Wisconsin) introduced the following bill; which was referred to the Committee on Ways and Means

APRIL 22, 1969

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

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## A BILL

To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That section 3306 (a) of the Internal Revenue Code of 1954

1 (relating to definition of employer) is amended to read as  
2 follows:

3 “(a) EMPLOYER.—For purposes of this chapter, the  
4 term ‘employer’ does not include any person unless on each  
5 of some 20 days during the taxable year or during the  
6 preceding taxable year, each day being in a different calen-  
7 dar week, the total number of individuals who were employed  
8 by him in employment for some portion of the day (whether  
9 or not at the same moment of time) was 4 or more.”

10 **SEC. 2. COLLECTION OF FEDERAL UNEMPLOYMENT TAX**  
11 **ON QUARTERLY OR OTHER TIME PERIOD BASIS.**

12 (a) QUARTERLY PAYMENT OF FEDERAL UNEMPLOY-  
13 MENT TAX.—Subchapter A of chapter 62 of the Internal  
14 Revenue Code of 1954 (relating to place and due date for  
15 payment of tax) is amended by redesignating section 6157  
16 as 6158, and by inserting after section 6156 the following  
17 new section: *striking out section 6157 and by inserting in*  
18 *lieu thereof the following:*

19 **“SEC. 6157. PAYMENT OF FEDERAL UNEMPLOYMENT TAX**  
20 **ON QUARTERLY OR OTHER TIME PERIOD**  
21 **BASIS.**

22 “(a) GENERAL RULE.—Every person who for the cal-  
23 endar year is an employer (as defined in section 3306 (a) )  
24 shall—

25 “(1) if the person in the preceding calendar year

employed 4 or more employees in employment (within the meaning of section 3306 (c) and (d)) on each of some 20 days during such preceding calendar year, each such day being in a different calendar week, compute the tax imposed by section 3301 for each of the first three calendar quarters in the calendar year, and

“(2) if paragraph (1) does not apply, compute the tax imposed by section 3301—

“(A) for the period beginning with the first day of the calendar year and ending with the last day of the calendar quarter (excluding the last calendar quarter) in which such person becomes such an employer, and

“(B) for the third calendar quarter of such year, if the period specified in subparagraph (A) includes only the first two calendar quarters of the calendar year.

The tax for any calendar quarter or other period shall be computed as provided in subsection (b) and the tax as so computed shall, except as otherwise provided in subsection ~~(c)~~, subsections (c) and (d), be paid in such manner and at such time as may be provided in regulations prescribed by the Secretary or his delegate.

“(b) COMPUTATION OF TAX.—The tax for any cal-

1   endar quarter or other period referred to in paragraph (1)  
 2   or (2) of subsection (a) shall be computed by multiplying  
 3   the amount of wages (as defined in section 3306(b)) paid  
 4   in such calendar quarter or other period by the number of  
 5   percentage points (including fractional points) by which the  
 6   rate of tax specified in section 3301 exceeds 2.7 percent.

7       “(c) SPECIAL RULE FOR CALENDAR YEARS 1970 AND  
 8   1971.—For purposes of subsection (a), the tax computed as  
 9   provided in subsection (b) for any calendar quarter or other  
 10   period shall be reduced (1) by  $66\frac{2}{3}$  percent if such quarter or  
 11   period is in 1970, and (2) by  $33\frac{1}{3}$  percent if such quarter or  
 12   period is in 1971.”

13       “(d) SPECIAL RULE WHERE ACCUMULATED AMOUNT  
 14   DOES NOT EXCEED \$100.—Nothing in this section shall  
 15   require the payment of tax with respect to any calendar quar-  
 16   ter or other period if the tax under section 3301 for such  
 17   period, plus any unpaid amounts for prior periods in the  
 18   calendar year, does not exceed \$100.”

19       (b) ASSESSMENT AUTHORITY.—Section 6201(b) of  
 20   such Code (relating to assessment authority) is amended to  
 21   read as follows:

22       “(b) AMOUNT NOT TO BE ASSESSED.—

23       “(1) ESTIMATED INCOME TAX.—No unpaid  
 24   amount of estimated tax under section 6153 or 6154  
 25   shall be assessed.



1           “(2) FEDERAL UNEMPLOYMENT TAX.—No unpaid  
2       amount of Federal unemployment tax for any calendar  
3       quarter or other period of a calendar year, computed as  
4       provided in section 6157, shall be assessed.”

5       (c) TREATMENT OF QUARTERLY PAYMENT OF FED-  
6       ERAL UNEMPLOYMENT TAX.—Subchapter B of chapter 64  
7       of such Code is amended by adding at the end thereof the  
8       following new section:

9       “SEC. 6317. PAYMENTS OF FEDERAL UNEMPLOYMENT TAX  
10                           FOR CALENDAR QUARTER.

11       “Payment of Federal unemployment tax for a calendar  
12       quarter or other ~~time~~ period within a calendar year pursu-  
13       ant to section 6157 shall be considered payment on account  
14       of the tax imposed by chapter 23 of such calendar year.”

15       (d) TIME TAX CONSIDERED PAID.—Section 6513 of  
16       such Code (relating to time return deemed filed and tax con-  
17       sidered paid) is amended by adding at the end thereof the  
18       following new subsection:

19       “(e) PAYMENTS OF FEDERAL UNEMPLOYMENT  
20       TAX.—Notwithstanding subsection (a), for purposes of sec-  
21       tion 6511 any payment of tax imposed by chapter 23 which,  
22       pursuant to section 6157, is made for a calendar quarter or  
23       other period within a calendar year shall, if made before  
24       the last day prescribed for filing the return for the calendar

1 year (determined without regard to any extension of time  
2 for filing), be considered made on such last day.”

3 (e) INTEREST ON UNDERPAYMENTS OR NONPAY-  
4 MENT OF TAX.—Section 6601 of such Code (relating to in-  
5 terest on underpayment or nonpayment of tax) is amended  
6 by redesignating subsection (k) as subsection (l) and by  
7 adding a new subsection (k) to read as follows:

8 “(k) EXCEPTION AS TO FEDERAL UNEMPLOYMENT  
9 TAX.—This section shall not apply to any failure to make a  
10 payment of tax imposed by section 3301 for a calendar  
11 quarter or other period within a taxable year required under  
12 authority of section 6157.”

13 (f) TECHNICAL AND CLERICAL AMENDMENTS.—

14 (1) The table of sections for subchapter A of chap-  
15 ter 62 of the Internal Revenue Code of 1954 is amended  
16 by striking out

“Sec. 6157. Payment of taxes under provisions of the Tariff  
Act.”

17 and inserting in lieu thereof

“Sec. 6157. Payment of Federal unemployment tax on quar-  
terly or other time period basis.”

~~“Sec. 6158. Payment of taxes under provisions of the Tariff  
Act.”~~

18 (2) The table of sections for subchapter B of chap-  
19 ter 64 of such Code is amended by adding at the end  
20 thereof the following:

“Sec. 6317. Payments of Federal unemployment tax for cal-  
endar quarter.”

1 SEC. 3. EMPLOYMENT SECURITY ADMINISTRATION AC-  
2 COUNT.

3 (a) Paragraph (3) of section 901 (c) of the Social  
4 Security Act is amended to read as follows:

5 “(3) For purposes of paragraph (1) (A), the limita-  
6 tion on the amount authorized to be made available for any  
7 fiscal year is an amount equal to 95 percent of the amount  
8 estimated and set forth in the budget of the United States  
9 Government for such fiscal year as the net receipts during  
10 such year under the Federal Unemployment Tax Act; except  
11 that this limitation is increased by any unexpended amount  
12 retained in the employment security administration account  
13 in accordance with section 901 (f) (2) (B). Each estimate of  
14 net receipts under this paragraph shall be based upon a tax  
15 rate of 0.4 percent.”

16 (b) Paragraph (2) of section 901 (f) of such Act is  
17 amended (1) by striking out “The” and inserting in lieu  
18 thereof “(A) Except as provided in subparagraph (B),  
19 the”, and (2) by adding at the end thereof the following:

20 “(B) With respect to the fiscal years ending June 30,  
21 1970, June 30, 1971, and June 30, 1972, the balance in the  
22 employment security administration account at the close of  
23 each such fiscal year shall not be considered excess but shall  
24 be retained in the account for use as provided in paragraph  
25 (1) of subsection (c).”

1    **SEC. 4. EFFECTIVE DATE.**

2            (a) The amendments made by the first two sections of  
3    this Act shall apply with respect to calendar years beginning  
4    after December 31, 1969.

5            (b) The amendments made by section 3 shall take effect  
6    upon enactment of this Act.

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# **A BILL**

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To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer dependent on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

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By Mr. Mills and Mr. BYRNES of Wisconsin

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APRIL 3, 1969

Referred to the Committee on Ways and Means

APRIL 22, 1969

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed







May 13, 1969

12. TAXATION. Sen. Javits inserted a Monroe Co., N.Y., legislature resolution relating to a fair Federal tax plan. p. S5072.
13. HEALTH. Sen. Kennedy inserted Sen. Yarborough's speech, "The Health Crisis in America." pp. S5083-5.
14. MARKETING ASSOCIATION. Received a memorial requesting the Congress to amend the Agricultural Marketing Act to make funds more readily available to New Mexico farmers to organize agricultural marketing associations. p. S5087.
15. PORK. Received from Wisc. legislature a resolution memorializing Congress and USDA to rescind the ban on the use of lean pork in venison sausage. p. S5087.

HOUSE

16. RESEARCH. The Rules Committee reported a resolution for the consideration of S. 1011, to authorize appropriations for the saline water conversion program for fiscal year 1970. p. H3588.
17. TARIFF. Passed the following bills: As reported, H. R. 2718, to extend until Nov. 7, 1971, the existing suspension of duties on certain classifications of yarn of silk. As reported, H. R. 4229, to continue until Dec. 31, 1979, the existing suspension of duty on heptanoic acid. With amendment, H. R. 4239, to amend the Tariff Schedules of the United States so as to prevent the payment of multiple customs duties in the case of horses temporarily exported for the purpose of racing. Without amendment, H. R. 5833, to continue until the close of June 30, 1972, the existing suspension of duty on certain copying shoe lathes. As reported, H. R. 7311, to amend the Tariff Schedules of the United States to provide that the rate of duty on parts of stethoscopes shall be the same as the rate on stethoscopes. Without amendment, H. R. 8644, to make permanent the existing temporary suspension of duty on crude chicory roots. With amendment, H. R. 10015, to extend through Dec. 31, 1970, the suspension of duty on electrodes for use in producing aluminum. Without amendment, H. R. 10016, to continue until the close of June 30, 1971, the existing suspension of duties for metal scrap. Without amendment, H. R. 10107, to continue until Sept. 5, 1972, the suspension of duty on imported istle. pp. H3545-51.
18. TAXATION. Passed as reported H. R. 9951, to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year, etc. Rep. Mills stated according to Labor estimates the program's administrative expenses, under the President's revised budget will exceed revenues from the Federal Unemployment Tax Act by about \$26 million. He states this bill "would provide temporary relief for this problem by means of a permanent change in the law." pp. H3551-53.
19. OLDER AMERICANS. The "Daily Digest" states that a subcommittee of the Education and Labor Committee "approved for full committee action a clean bill in lieu of H. R. 10767 and H. R. 11048, Older Americans Act." p. D380.

20. GOVERNMENT ETHICS. Rep. Bennett spoke in support of his resolution to establish a Court of Ethics to hear complaints of unethical conduct in Government service and inserted the text of the resolution. p. H3558.
21. MANPOWER. Rep. Steiger, Wisc., elaborated "upon some current problems encountered in the development and implementation of an effective national manpower policy and the remedies I propose in my bill to offset those problems." pp. H3561-4.
22. TRADE POLICY. Rep. Saylor inserted a critique of the report, "Future U. S. Trade Policy." pp. H3570-3.
23. RECREATION. Received from Interior a proposed bill to authorize the appropriation of funds for Padre Island National Seashore, Tex. p. H3588.
24. RECLAMATION. Received from Interior a request for the withdrawal of the application by the Cameron County Water Improvement District, San Benito, Tex., for a loan under the Small Reclamation Projects Act. p. H3588.
25. WEATHER. Received from the Office of Science and Technology, a report on the national atmospheric sciences program. p. H3588.
26. PERSONNEL. Received from the President a report on the operation of section 201 (g) of the Revenue and Expenditure Control Act of 1968 on the number of civilian officers and employees in the executive branch of the Government for the quarter ended March 31, 1969, and for the period of the law's operation to that date. p. H3588.
27. LEGISLATIVE PROGRAM. The "Daily Digest" states that on Wed. the House will consider the bill to authorize appropriations for the saline water conversion program. p. D379.

EXTENSION OF REMARKS

28. FARM PRICES. Rep. Zwach said that "for the first time in 1969, farm prices and also farm parity has receded this past month" and inserted a table of the relative parity/percentage ratings for some basic farm produce for the months of March and April. p. E3889.
29. TRANSPORTATION. Rep. Addabbo inserted Maritime Commissioner Hearn's address, "America's Need for Waterborne Regulation Today", in which he emphasized that foreign shipping interests must respect the laws adopted by Congress in adopting certain shipping statutes. pp. E3892-4.
30. POVERTY; HUNGER. Rep. Charles Wilson deplored the conditions "which the poor in this Nation endure" and the "spectacle of Cabinet members, whose agencies are responsible for most of the poverty program activities, promising to hear representatives of the Poor People's Campaign and then reneging on that promise." p. E3904.



time for a temporary period the existing suspension of duty on certain istle, which was unanimously reported to the House by the Committee on Ways and Means.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object—and I shall not object—I do so in order to yield to the gentleman from Arkansas, the chairman of the Ways and Means Committee, for a brief explanation. I yield to the gentleman.

Mr. MILLS. I thank my friend for yielding.

Mr. Speaker, the purpose of H.R. 10107 as introduced by our colleagues on the Committee on Ways and Means, the Honorable JAMES B. UTT, of California, and the Honorable JACKSON E. BETTS, of Ohio, is to continue until the close of September 5, 1972, the existing suspension of duty on processed istle fiber. Istle fiber is one of the best known and most widely used of all vegetable brush fibers.

The duty on processed istle fiber has been suspended on a temporary basis since September 4, 1957. At the time of the initial suspension of duty, there was no domestic production of raw istle fiber and an insignificant production of the processed fiber from imported raw fiber. The objective of the suspension of the duty was to reduce the burden of higher prices on domestic users of the fiber and of the finished product.

The Committee on Ways and Means is informed that conditions continue to warrant the suspension of this duty.

The committee has received no objection to the 3-year extension of the duty suspension on processed istle fiber.

The committee is unanimous in recommending the enactment of H.R. 10107.

Mr. BYRNES of Wisconsin. Mr. Speaker, I support H.R. 10107, a bill to continue for a 3-year period—until September 5, 1972—the existing suspension of duty on processed istle fiber. In the absence of this bill, the present suspension of duty on processed istle fiber will expire on September 5 of this year.

Istle fiber is a vegetable brush fiber used principally in the United States in the manufacture of brushes. Crude istle fiber has been admitted duty free since the Tariff Act of 1930. Processed istle fiber is subject to a 20-percent ad valorem duty under the Tariff Act, but that duty has been suspended pursuant to legislation enacted in 1957 and periodically renewed since then.

Since the suspension of duty on istle fiber in 1957, there has been no production of crude istle fiber in the United States and an insignificant production of the processed fiber from imported crude fiber. This situation continues to prevail today. The purpose of duty free treatment in this case is to reduce the prices of brushes and products made from istle fiber to consumers in the United States. In order to continue to attain these objectives the committee unanimously recommends enactment of this legislation. No objection was received from the interested departments and agencies to this legislation and I recommend its favorable consideration by the House.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the bill, as follows:

H.R. 10107

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) item 903.90 of the Tariff Schedules of the United States (19 U.S.C., sec. 1202, item 903.90) is amended by striking out "9/5/69" and inserting in lieu thereof "9/5/72".*

*(b) The amendment made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse, for consumption, after September 5, 1969.*

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

#### COLLECTION OF FEDERAL UNEMPLOYMENT TAX

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 9951) to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes, which was unanimously reported to the House by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object—and I shall not object—I do so in order to yield to the gentleman from Arkansas, the chairman of the Committee on Ways and Means, for an explanation of this bill. I yield now to the gentleman from Arkansas.

Mr. MILLS. Mr. Speaker, I thank my friend, the gentleman from Wisconsin, for yielding.

Mr. Speaker, the purpose of H.R. 9951 is to provide relief for an immediate problem with respect to funding the operation of the employment security program. This program carries out the dual operation of administering the unemployment insurance system and the employment service.

Although Congress determines the actual amounts that may be spent by Federal and State agencies in administering the unemployment insurance and the employment service programs through annual appropriations, the source of funds to pay these expenses is limited by law to a portion of the Federal unemployment tax.

According to estimates of the Department of Labor, the program's administrative expenses, under President Nixon's revised budget for fiscal year 1970, will exceed revenues from the Federal

Unemployment Tax Act available to finance these operations by about \$26 million.

The bill we are now considering would provide temporary relief for this problem by means of a permanent change in the law which I believe is desirable in itself. The bill calls for a shift from the present method of collecting unemployment taxes on an annual basis at the end of each year to quarterly collections during the year.

The bill specifically exempts from the quarterly payment requirement any employer whose tax liability for a collecting period does not exceed \$100. Thus, no employer would be required to make a quarterly payment until he owes more than \$100 in Federal unemployment taxes.

The changeover from annual to quarterly payments would be gradually phased-in over a 3-year period under the bill in order to ease the financial impact on employers. In the first year, an employer with a tax liability in excess of \$100 would deposit only one-third of his quarterly tax at the end of the first three quarters and would pay the remainder of his tax with his annual return at the end of the year. In the second year, the quarterly tax payment would be increased to two-thirds of the quarter's tax, and beginning in the third year and thereafter, the full quarterly amount would be paid at the end of each quarter.

Mr. Speaker, this legislation will not result in increasing the unemployment tax liability of employers. It will, however, through the speeding up of collections, provide additional funds to finance the employment security program during the next 3 years. During that time, Congress will have an opportunity to explore the alternatives for achieving a more permanent solution to the problems of funding the program. Indeed, this is a matter which I have discussed at some length on several occasions with representatives of the Interstate Conference of Employment Security Agencies, and one which they are continuing to study in cooperation with the U.S. Department of Labor.

Mr. Speaker, the committee unanimously recommends enactment of this legislation.

Mr. BYRNES of Wisconsin. Mr. Speaker, I support H.R. 9951, a bill to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year, and to provide for the use of additional funds resulting therefrom.

The administrative costs attributable to the Federal-State employment security program have been increasing along with other costs in recent years. In the near future, Congress will have to consider the long-range financing needs of the Federal-State unemployment system, and in that connection will want to carefully review the various administrative costs of the unemployment system to which the Federal unemployment tax is devoted. However, the system is presented with an immediate problem in that the program's administrative expenses will exceed the revenues from the Federal unemployment taxes by about \$26 million in fiscal year 1970, and the de-



iciency will increase in succeeding fiscal years.

The present bill will resolve the problem for fiscal years 1970 through 1972 by requiring that the Federal tax be deposited quarterly by covered employers. Under present law the employer pays the tax for the entire calendar year when he files his return for that year in the following January. This legislation would require employers whose tax in a calendar quarter exceeds \$100 to deposit the amount of tax due on a quarterly basis. However, the employer would continue to file his return annually in the January following the close of the calendar year.

As in the past when the committee has enacted legislation to make taxes payable on a more current basis, the committee has phased in the new rules. Under this bill an employer will pay only one-third of his taxes on a quarterly basis in 1970, two-thirds of his taxes on a quarterly basis in 1971, and not until 1972 will all of his Federal unemployment taxes be paid on a quarterly basis. During this period the amount not paid on a quarterly basis during the calendar year will be due when the Federal unemployment tax return is filed in the following January.

This legislation represents an improvement in the law that will insure that our Federal-State unemployment system is adequately financed in the near future. I urge that the House take favorable action on this bill.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the bill, as follows:

H.R. 9951

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3306(a) of the Internal Revenue Code of 1954 (relating to definition of employer) is amended to read as follows:*

"(a) EMPLOYER.—For purposes of this chapter, the term 'employer' does not include any person unless on each of some 20 days during the taxable year or during the preceding taxable year, each day being in a different calendar week, the total number of individuals who were employed by him in employment for some portion of the day (whether or not at the same moment of time) was 4 or more."

## SEC. 2. COLLECTION OF FEDERAL UNEMPLOYMENT TAX ON QUARTERLY OR OTHER TIME PERIOD BASIS.

(a) QUARTERLY PAYMENT OF FEDERAL UNEMPLOYMENT TAX.—Subchapter A of chapter 62 of the Internal Revenue Code of 1954 (relating to place and due date for payment of tax) is amended by redesignating section 6157 as 6158, and by inserting after section 6156 the following new section:

"SEC. 6157. PAYMENT OF FEDERAL UNEMPLOYMENT TAX ON QUARTERLY OR OTHER TIME PERIOD BASIS.

"(a) GENERAL RULE.—Every person who for the calendar year is an employer (as defined in section 3306(a)) shall

"(1) if the person in the preceding calendar year employed 4 or more employees in employment (within the meaning of section 3306(c) and (d)) on each of some 20 days during such preceding calendar year, each

such day being in a different calendar week, compute the tax imposed by section 3301 for each of the first three calendar quarters in the calendar year, and

"(2) if paragraph (1) does not apply, compute the tax imposed by section 3301—

"(A) for the period beginning with the first day of the calendar year and ending with the last day of the calendar quarter (excluding the last calendar quarter) in which such person becomes such an employer, and

"(B) for the third calendar quarter of such year, if the period specified in subparagraph (A) includes only the first two calendar quarters of the calendar year.

The tax for any calendar quarter or other period shall be computed as provided in subsection (b) and the tax as so computed shall, except as otherwise provided in subsection (c), be paid in such manner and at such time as may be provided in regulations prescribed by the Secretary or his delegate.

"(b) COMPUTATION OF TAX.—The tax for any calendar quarter or other period referred to in paragraph (1) or (2) of subsection (a) shall be computed by multiplying the amount of wages (as defined in section 3306(b)) paid in such calendar quarter or other period by the number of percentage points (including fractional points) by which the rate of tax specified in section 3301 exceeds 2.7 percent.

"(c) SPECIAL RULE FOR CALENDAR YEARS 1970 AND 1971.—For purposes of subsection (a), the tax computed as provided in subsection (b) for any calendar quarter or other period shall be reduced (1) by 66⅔ percent if such quarter or period is in 1970, and (2) by 33⅓ percent if such quarter or period is in 1971."

(b) ASSESSMENT AUTHORITY.—Section 6201 (b) of such Code (relating to assessment authority) is amended to read as follows:

"(b) AMOUNT NOT TO BE ASSESSED.—

"(1) ESTIMATED INCOME TAX.—No unpaid amount of estimated tax under section 6153 or 6154 shall be assessed.

"(2) FEDERAL UNEMPLOYMENT TAX.—No unpaid amount of Federal unemployment tax for any calendar quarter or other period of a calendar year, computed as provided in section 6157, shall be assessed."

(c) TREATMENT OF QUARTERLY PAYMENT OF FEDERAL UNEMPLOYMENT TAX.—Subchapter B of chapter 64 of such Code is amended by adding at the end thereof the following new section:

"SEC. 6317. PAYMENTS OF FEDERAL UNEMPLOYMENT TAX FOR CALENDAR QUARTER.

"Payment of Federal unemployment tax for a calendar quarter or other time period within a calendar year pursuant to section 6157 shall be considered payment on account of the tax imposed by chapter 23 of such calendar year."

(d) TIME TAX CONSIDERED PAID.—Section 6513 of such Code (relating to time return deemed filed and tax considered paid) is amended by adding at the end thereof the following new subsection:

"(e) PAYMENTS OF FEDERAL UNEMPLOYMENT TAX.—Notwithstanding subsection (a), for purposes of section 6511 any payment of tax imposed by chapter 23 which, pursuant to section 6157, is made for a calendar quarter or other period within a calendar year shall, if made before the last day prescribed for filing the return for the calendar year (determined without regard to any extension of time for filing), be considered made on such last day."

(e) INTEREST ON UNDERPAYMENTS OR NONPAYMENT OF TAX.—Section 6601 of such Code (relating to interest on underpayment or nonpayment of tax) is amended by redesignating subsection (k) as subsection (l) and by adding a new subsection (k) to read as follows:

"(k) EXCEPTION AS TO FEDERAL UNEMPLOYMENT TAX.—This section shall not apply to any failure to make a payment of tax imposed by section 3301 for a calendar quarter or other period within a taxable year required under authority of section 6157."

(f) TECHNICAL AND CLERICAL AMENDMENTS.—

(1) The table of sections for subchapter A of chapter 62 of the Internal Revenue Code of 1954 is amended by striking out

"Sec. 6157. Payment of taxes under provisions of the Tariff Act."

and inserting in lieu thereof

"Sec. 6157. Payment of Federal unemployment tax on quarterly or other time period basis."

"Sec. 6158. Payment of taxes under provisions of the Tariff Act."

(2) The table of sections for subchapter B of chapter 64 of such Code is amended by adding at the end thereof the following:

"Sec. 6317. Payments of Federal unemployment tax for calendar quarter."

## SEC. 3. EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT.

(a) Paragraph (3) of section 901(c) of the Social Security Act is amended to read as follows:

"(3) For purposes of paragraph (1)(A), the limitation on the amount authorized to be made available for any fiscal year is an amount equal to 95 percent of the amount estimated and set forth in the budget of the United States Government for such fiscal year as the net receipts during such year under the Federal Unemployment Tax Act; except that this limitation is increased by any unexpended amount retained in the employment security administration account in accordance with section 901(f)(2)(B). Each estimate of net receipts under this paragraph shall be based upon a tax rate of 0.4 percent."

(b) Paragraph (2) of section 901(f) of such Act is amended (1) by striking out "The" and inserting in lieu thereof "(A) Except as provided in subparagraph (B), the", and (2) by adding at the end thereof the following:

"(B) With respect to the fiscal years ending June 30, 1970, June 30, 1971, and June 30, 1972, the balance in the employment security administration account at the close of each such fiscal year shall not be considered excess but shall be retained in the account for use as provided in paragraph (1) of subsection (c)."

## SEC. 4. EFFECTIVE DATE.

(a) The amendments made by the first two sections of this Act shall apply with respect to calendar years beginning after December 31, 1969.

(b) The amendments made by section 3 shall take effect upon enactment of this Act.

With the following committee amendments:

On page 2, beginning in line 13, strike out "redesignating" and all that follows through line 15, and insert: "striking out section 6157 and by inserting in lieu thereof the following:"

On page 3, lines 17 and 18, strike out "subsection (c)," and insert: subsections (c) and (d),

On page 4, strike out the quotation marks at the end of line 9 and after line 9 insert:

"(d) SPECIAL RULE WHERE ACCUMULATED AMOUNT DOES NOT EXCEED \$100.—Nothing in this section shall require the payment of tax with respect to any calendar quarter or other period if the tax under section 3301 for such period, plus any unpaid amounts for prior periods in the calendar year, does not exceed \$100."

On page 5, line 4, strike out "time".

On page 6, strike out the last line of the matter following line 9 and insert quotation



marks at the end of the preceding line in such matter.

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

#### TAX TREATMENT OF INDIVIDUALS SERVING ON U.S.S. "PUEBLO"

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 8654) to provide that, for purposes of the Internal Revenue Code of 1954, individuals who were illegally detained during 1968 by North Korea shall be treated as serving in a combat zone, which was unanimously reported to the House by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object—and I certainly do not intend to object—I do so in order to yield to the gentleman from Arkansas, the chairman of the Ways and Means Committee, for a brief explanation.

Mr. MILLS. Mr. Speaker, I thank my friend, the gentleman from Wisconsin, for yielding.

Mr. Speaker, the purpose of H.R. 8654, as reported by the Committee on Ways and Means, is to afford members of the crew of the U.S.S. *Pueblo*, who were illegally detained by North Korea, the same treatment for purposes of the tax laws as if they had served in a Presidentially designated combat zone during the period of their detention by North Korea.

Mr. Speaker, under present law four tax benefits are provided for members of our Armed Forces who are in active service in a Presidentially designated combat zone:

First, section 112 of the Internal Revenue Code presently provides an income tax exclusion for pay received for active service by a member of the Armed Forces for any month during which he either served in a combat zone or was hospitalized as a result of wounds, disease, or injury incurred while serving in a combat zone. In the case of an enlisted person, the exclusion applies to all his pay. In the case of a commissioned officer, the exclusion applies to up to \$500 per month of his pay.

Second, section 692 of the code presently provides for a waiver of income tax of a member of the Armed Forces who dies while in active service in a combat zone or as a result of wounds, disease, or injury incurred while in service in a combat zone. This waiver applies to the taxable year in which the death occurs and also to any income tax for any other years which is unpaid at the date of his death.

Third, section 2201 of the code now provides an exception from the Federal estate tax—except that part against which a credit for State death taxes may be taken—for any member of the Armed

Forces who is killed in action while in active service in a combat zone or who dies as a result of wounds, disease, or injury suffered while in active service in a combat zone.

Fourth, and finally, Mr. Speaker, present section 7508 of the code provides for an extension of time for performing various actions such as filing tax returns, paying taxes, or filing a claim for credit or refund of tax applicable to any individual who is serving in the Armed Forces or in support thereof in a combat zone or who is hospitalized outside of the United States as a result of an injury received while serving in a combat zone.

Mr. Speaker, the applicability of the four provisions I have just enumerated is conditioned on the person being in service in a combat zone. A combat zone under present law is defined as an area which the President designates by Executive order as an area in which the U.S. Armed Forces are engaged in combat. Vietnam and adjacent waters is the only area currently designated by the President as a combat zone. As a result, the four tax provisions discussed above currently are applicable only with respect to service in Vietnam or adjacent waters.

Mr. Speaker, in view of the hardships, maltreatment, and loss of life incurred by the *Pueblo* crew during their detention by North Korea and the obvious comparability of the hazards of combat to the risks to which they were subjected, the Committee on Ways and Means believes it is appropriate to extend to the *Pueblo* crew the same tax benefits which are available with respect to service in a combat zone. H.R. 8654, therefore, provides that the crew of the *Pueblo* are to be treated as serving in a Presidentially designated combat zone during the period that they were illegally detained by North Korea. They therefore would receive the four tax benefits that presently attend service in a combat zone.

Mr. Speaker, the Committee on Ways and Means is unanimous in recommending approval of H.R. 8654 by the House.

Mr. BYRNES of Wisconsin. Mr. Speaker, I yield to the gentlewoman from Washington (Mrs. MAY).

Mrs. MAY. Mr. Speaker, I rise in support of H.R. 8654, to provide that, for purposes of the Internal Revenue Code of 1954, individuals who were illegally detained during 1968 by the Democratic People's Republic of Korea shall be treated as serving in a combat zone.

As author of a similar measure, H.R. 8653, I wish to commend the esteemed chairman of the Committee on Ways and Means for introducing this measure and setting aside the tax reform hearings long enough to take up and approve this legislation for the personnel of the U.S.S. *Pueblo*.

H.R. 8654, Mr. Speaker, will not only correct an injustice, but it will also provide the officers and crewmen of the *Pueblo* a pecuniary award as a visible token of our country's gratitude for their service and as partial compensation for the hardships they endured at the hands of the North Koreans.

I should like to briefly outline the reasons for my introduction of legislation

in this area and to explain the reasons this special legislation is necessary.

I first became aware of the situation in March of this year when I received a letter from the father of one of the returned crewmembers. A few telephone calls to the Navy Department and the Internal Revenue Service verified what the sailor's father had told me. The 82-member crew of the *Pueblo* had discovered that after an 11-month captivity, Uncle Sam had to levy tax on their pay which they earned during the period of their ordeal in North Korea.

It was a quirk of fate that the crew members had found themselves in this quandry, because had they been officially designated as prisoners of war, or had they been in Vietnam at the time of their capture, they would not have been subjected to such taxation.

However, because they happened to be assigned to North Korean waters and not to Vietnam, under the law they were not legally classified as having served within a combat zone. The members of the *Pueblo* crew, therefore, were not subject to the special tax treatment that would have been theirs had they been in a hostile war area like Vietnam. Yet, these crewmembers have been unfortunate enough to have undergone continuing torture just as though they had been prisoners of war in a combat zone.

To my way of thinking, Mr. Speaker, a lessening of their tax burden is a very small thing for us to do for them in return.

H.R. 8654 will provide the crew members of the *Pueblo*, during the period of their captivity in North Korea, the same Federal tax treatment that is accorded members of our Armed Forces who serve in officially designated combat zones. Its enactment, it seems to me, is the least we can do for the gallant officers and men of the *Pueblo*.

Mr. BYRNES of Wisconsin. Mr. Speaker, I support H.R. 8654, a bill to extend to the crew of the *Pueblo* certain income tax benefits that are available to members of the Armed Forces serving in a combat zone.

Under present law, the military pay received by enlisted members of the Armed Forces is excluded from taxable income for months during which they served in a combat zone. A similar exclusion limited to \$500 a month is made applicable to officers serving in a combat zone. Additionally, income taxes due when an individual dies while in active service in a combat zone or as a result of wounds, disease or injury incurred in a combat zone and not paid at the date of death are waived. A similar exception is provided for Federal estate tax. Finally, individuals are granted an extension under present law for filing tax returns, paying taxes, or filing a claim for credit or refund while they are serving in a combat zone or convalescing from injuries received in a combat zone and for 180 days thereafter.

Under the law, a combat zone is any area designated by the President by executive order as an area in which the Armed Forces of the United States are engaged in combat. Vietnam and adjacent waters is the only area currently designated as a combat zone.



The risks and sacrifices endured by the *Pueblo* crew during their incarceration required a sacrifice on behalf of both the crew and their families that was as great as any they would be subjected to if the crew had served in a combat zone. The circumstances under which the *Pueblo* crew was imprisoned in Korea are the kind of circumstances that are contemplated by the combat pay exclusion, but the benefits of the law are not afforded the crew due to the definition of a combat zone. This legislation will provide that the *Pueblo* crew will be considered to have served in a combat zone during the period of their detention in North Korea. The bill will extend the intent and philosophy of the combat pay exclusion to the members of the crew of the U.S.S. *Pueblo*. I strongly urge my Colleagues to join me in supporting this legislation.

Mr. Speaker, I withdraw my reservation.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the bill, as follows:

H.R. 8654

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for purposes of sections 112, 692, 2201, and 7508 of the Internal Revenue Code of 1954, individuals who were illegally detained (or who died while being illegally detained) by the Democratic People's Republic of Korea at any time during the calendar year 1968 shall be treated while so detained as serving in an area designated by the President of the United States by Executive order as a combat zone for purposes of section 112 and during the period designated by the President by Executive order as the period of combatant activities in such zone for purposes of such section.*

SEC. 2. The provisions of this Act shall apply—

(1) for purposes of section 112 of such Code, with respect to compensation received for periods of active service after December 31, 1967, in taxable years ending after such date;

(2) for purposes of sections 692 and 2201 of such Code, with respect to decedents dying after December 31, 1967; and

(3) for purposes of section 7508 of such Code, with respect to individuals who were detained after December 31, 1967.

With the following committee amendment:

On page 1, line 4, after "were" insert: "removed from a United States vessel and".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

#### PERMISSION TO REVISE AND EXTEND

Mr. MILLS. Mr. Speaker, I ask unanimous consent that I may be permitted to revise and extend the remarks I made in connection with the bills just passed and also that the sponsors of the bills desiring to do so may be permitted to include their remarks prior to the passage of each of the bills.

The SPEAKER. Is there objection to

the request of the gentleman from Arkansas?

There was no objection.

#### THE MYSTERY OF THE 77-DAY SALE OF SECRETARY KENNEDY'S STOCK OPTION

(Mr. PATMAN asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. PATMAN. Mr. Speaker, the Treasury Department has created as much confusion as possible about the Secretary's \$1.2 million stock option with the Continental-Illinois National Bank.

Through the Treasury's General Counsel, Paul W. Eggers, the Treasury Department has dropped a heavy curtain of fog in hopes that the press and the Congress will be fooled about the true nature of this most amazing transaction.

At the time of his confirmation, Secretary Kennedy attempted to indicate that he would either exercise or relinquish the option to buy 30,855 shares of Continental-Illinois National Bank stock before he took the oath of office. The fact is that Secretary Kennedy exercised this option after he became Secretary.

The Treasury's General Counsel issued this statement April 29 in an effort to confuse what has happened on the stock option:

Mr. Kennedy exercised the option and within a few days thereafter sold all the shares so acquired. From my discussions with the people who handled this sale, I determined that this was an arms-length transaction. Mr. Kennedy has completely divested himself of any interest whatsoever in this stock.

The Wall Street Journal, of Friday May 9, has thrown some important new light on Mr. Eggers' statement.

The Wall Street Journal quotes a Treasury official as saying that Mr. Kennedy sold his 30,855 shares on April 9.

Mr. Speaker, I know from other sources—and this cannot be contradicted—that Secretary Kennedy notified the Continental-Illinois National Bank late in the afternoon of January 22 that he had decided to exercise his option on this stock. In other words, on January 22, Mr. Kennedy cemented his legal right to that block of stock.

After that date—January 22—the value of the bank stock became of utmost importance to David M. Kennedy.

Any time after January 22, the Secretary had control of those 30,855 shares. They were not in a trust. They were controlled in such a manner as to give Mr. Kennedy a direct pecuniary interest in the shares while he served as Secretary of the Treasury.

Now the Wall Street Journal of last Friday reveals, from a Treasury source, that this stock was actually not disposed of until April 9. Mr. Kennedy had the right to that stock and the actual control of it for 77 days while he served as Secretary of the Treasury in the Cabinet of President Nixon.

Mr. Paul W. Eggers was engaging in a blatant and disgraceful effort to mislead the Congress and the American pub-

lic when he issued his news release on April 29. Mr. Eggers said:

Mr. Kennedy exercised the option and within a few days thereafter sold all the shares so acquired.

Now what Mr. Eggers was pulling was a fast shuffle of dates. He was using some of the technical aspects of the stock transaction to indicate that Secretary Kennedy had legal right to the 30,855 shares for only a few days. What Mr. Eggers was referring to was an actual physical delivery of the option on April 7 and the actual sale on April 9.

But, what Mr. Eggers leaves out—in an attempt to mislead—is that Secretary Kennedy decided to exercise that option on January 22 and so notified the bank by telegram. He did not sell that stock "a few days thereafter" the January 22 date as alleged by Mr. Eggers. He sold it 77 days later.

Why does Secretary Kennedy persist in playing this misleading game with the Congress and the public? Why does he not tell all the facts with dates, places, and times? And most important, why does he not tell us who handled the transaction and who bought the stock?

This is a very large block of bank stock. It is many more times what is normally traded on any given day. Therefore, it was undoubtedly a negotiated sale. And, if this is the case, it is essential that we know all the facts about the negotiations.

Mr. Speaker, it is also important that we have firm information about the actual date that Secretary Kennedy sold this stock. The Wall Street Journal quotes an anonymous Treasury source about the April 9 date. This may be the correct date but this can be determined only if we are furnished essential papers involved in the transaction. In light of the recent statements that have been issued by the Treasury Department, it would be foolish to accept the report of a "Treasury source" as the final word. We must have more evidence than this.

I think it is obvious that Secretary Kennedy is fearful of making the facts known because he realizes that the holding of the legal rights to this stock constituted a violation of section 208 of title 18 of the United States Code, because he was able to affect its value through official acts.

The penalty for violation of this section is a fine of not more than \$10,000 and a prison term of not more than 2 years or both.

He also knows that the exercising of the option and the buying and the selling of the stock and other activities he has engaged in are questionable practices under section 1003 of title 31 of the United States Code. A person violating this section "shall be deemed guilty of a high misdemeanor and forfeit to the United States the penalty of \$3,000, and shall upon conviction be removed from office, and forever thereafter be incapable of holding any office under the United States." This section is traced directly back to the original act of September 2, 1789, which created the Treasury Department and which set out provisions to prevent conflicts of interest in that Department.







91ST CONGRESS  
1ST SESSION

# H. R. 9951

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IN THE SENATE OF THE UNITED STATES

MAY 16, 1969

Read twice and referred to the Committee on Finance

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## AN ACT

To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That section 3306 (a) of the Internal Revenue Code of 1954

1 (relating to definition of employer) is amended to read as  
2 follows:

3 “(a) EMPLOYER.—For purposes of this chapter, the  
4 term ‘employer’ does not include any person unless on each  
5 of some 20 days during the taxable year or during the  
6 preceding taxable year, each day being in a different calen-  
7 dar week, the total number of individuals who were em-  
8 ployed by him in employment for some portion of the day  
9 (whether or not at the same moment of time) was 4 or  
10 more.”

11 **SEC. 2. COLLECTION OF FEDERAL UNEMPLOYMENT TAX**  
12 **ON QUARTERLY OR OTHER TIME PERIOD BASIS.**

13 (a) QUARTERLY PAYMENT OF FEDERAL UNEMPLOY-  
14 MENT TAX.—Subchapter A of chapter 62 of the Internal  
15 Revenue Code of 1954 (relating to place and due date for  
16 payment of tax) is amended by striking out section 6157  
17 and by inserting in lieu thereof the following:

18 **“SEC. 6157. PAYMENT OF FEDERAL UNEMPLOYMENT TAX**  
19 **ON QUARTERLY OR OTHER TIME PERIOD**  
20 **BASIS.**

21 “(a) GENERAL RULE.—Every person who for the cal-  
22 endar year is an employer (as defined in section 3306 (a) )  
23 shall—

24 “(1) if the person in the preceding calendar year

1 employed 4 or more employees in employment (within  
2 the meaning of section 3306 (c) and (d)) on each of  
3 some 20 days during such preceding calendar year, each  
4 such day being in a different calendar week, compute  
5 the tax imposed by section 3301 for each of the first  
6 three calendar quarters in the calendar year, and

7 “(2) if paragraph (1) does not apply, compute the  
8 tax imposed by section 3301—

9 “(A) for the period beginning with the first  
10 day of the calendar year and ending with the last  
11 day of the calendar quarter (excluding the last  
12 calendar quarter) in which such person becomes  
13 such an employer, and

14 “(B) for the third calendar quarter of such  
15 year, if the period specified in subparagraph (A)  
16 includes only the first two calendar quarters of the  
17 calendar year.

18 The tax for any calendar quarter or other period shall be  
19 computed as provided in subsection (b) and the tax as so  
20 computed shall, except as otherwise provided in subsections  
21 (c) and (d), be paid in such manner and at such time  
22 as may be provided in regulations prescribed by the Secre-  
23 tary or his delegate.

24 “(b) COMPUTATION OF TAX.—The tax for any cal-

1   endar quarter or other period referred to in paragraph (1)  
 2   or (2) of subsection (a) shall be computed by multiplying  
 3   the amount of wages (as defined in section 3306 (b) ) paid  
 4   in such calendar quarter or other period by the number of  
 5   percentage points (including fractional points) by which the  
 6   rate of tax specified in section 3301 exceeds 2.7 percent.

7       “(c) SPECIAL RULE FOR CALENDAR YEARS 1970 AND  
 8   1971.—For purposes of subsection (a), the tax computed as  
 9   provided in subsection (b) for any calendar quarter or other  
 10   period shall be reduced (1) by  $66\frac{2}{3}$  percent if such quarter or  
 11   period is in 1970, and (2) by  $33\frac{1}{3}$  percent if such quarter or  
 12   period is in 1971.

13       “(d) SPECIAL RULE WHERE ACCUMULATED AMOUNT  
 14   DOES NOT EXCEED \$100.—Nothing in this section shall  
 15   require the payment of tax with respect to any calendar quar-  
 16   ter or other period if the tax under section 3301 for such  
 17   period, plus any unpaid amounts for prior periods in the  
 18   calendar year, does not exceed \$100.”

19       (b) ASSESSMENT AUTHORITY.—Section 6201 (b) of  
 20   such Code (relating to assessment authority) is amended to  
 21   read as follows:

22       “(b) AMOUNT NOT TO BE ASSESSED.—

23       “(1) ESTIMATED INCOME TAX.—No unpaid  
 24       amount of estimated tax under section 6153 or 6154  
 25       shall be assessed.



1 “(2) FEDERAL UNEMPLOYMENT TAX.—No unpaid  
2 amount of Federal unemployment tax for any calendar  
3 quarter or other period of a calendar year, computed as  
4 provided in section 6157, shall be assessed.”

5 (c) TREATMENT OF QUARTERLY PAYMENT OF FED-  
6 ERAL UNEMPLOYMENT TAX.—Subchapter B of chapter 64  
7 of such Code is amended by adding at the end thereof the  
8 following new section:

9 “SEC. 6317. PAYMENTS OF FEDERAL UNEMPLOYMENT TAX  
10 FOR CALENDAR QUARTER.

11 “Payment of Federal unemployment tax for a calendar  
12 quarter or other period within a calendar year pursuant to  
13 section 6157 shall be considered payment on account of the  
14 tax imposed by chapter 23 of such calendar year.”

15 (d) TIME TAX CONSIDERED PAID.—Section 6513 of  
16 such Code (relating to time return deemed filed and tax con-  
17 sidered paid) is amended by adding at the end thereof the  
18 following new subsection:

19 “(e) PAYMENTS OF FEDERAL UNEMPLOYMENT  
20 TAX.—Notwithstanding subsection (a), for purposes of sec-  
21 tion 6511 any payment of tax imposed by chapter 23 which,  
22 pursuant to section 6157, is made for a calendar quarter or  
23 other period within a calendar year shall, if made before  
24 the last day prescribed for filing the return for the calendar



1 year (determined without regard to any extension of time  
2 for filing), be considered made on such last day.”

3 (e) INTEREST ON UNDERPAYMENTS OR NONPAY-  
4 MENT OF TAX.—Section 6601 of such Code (relating to  
5 interest on underpayment or nonpayment of tax) is  
6 amended by redesignating subsection (k) as subsection (l)  
7 and by adding a new subsection (k) to read as follows:

8 “(k) EXCEPTION AS TO FEDERAL UNEMPLOYMENT  
9 TAX.—This section shall not apply to any failure to make  
10 a payment of tax imposed by section 3301 for a calendar  
11 quarter or other period within a taxable year required  
12 under authority of section 6157.”

13 (f) TECHNICAL AND CLERICAL AMENDMENTS.—

14 (1) The table of sections for subchapter A of  
15 chapter 62 of the Internal Revenue Code of 1954 is  
16 amended by striking out

“Sec. 6157. Payment of taxes under provisions of the Tariff  
Act.”

17 and inserting in lieu thereof

“Sec. 6157. Payment of Federal unemployment tax on quar-  
terly or other time period basis.”

18 (2) The table of sections for subchapter B of  
19 chapter 64 of such Code is amended by adding at the  
20 end thereof the following:

“Sec. 6317. Payments of Federal unemployment tax for cal-  
endar quarter.”

1 SEC. 3. EMPLOYMENT SECURITY ADMINISTRATION AC-  
2 COUNT.

3 (a) Paragraph (3) of section 901 (c) of the Social  
4 Security Act is amended to read as follows:

5 “(3) For purposes of paragraph (1) (A), the limita-  
6 tion on the amount authorized to be made available for any  
7 fiscal year is an amount equal to 95 percent of the amount  
8 estimated and set forth in the budget of the United States  
9 Government for such fiscal year as the net receipts during  
10 such year under the Federal Unemployment Tax Act; except  
11 that this limitation is increased by any unexpended amount  
12 retained in the employment security administration account  
13 in accordance with section 901 (f) (2) (B). Each estimate of  
14 net receipts under this paragraph shall be based upon a tax  
15 rate of 0.4 percent.”

16 (b) Paragraph (2) of section 901 (f) of such Act is  
17 amended (1) by striking out “The” and inserting in lieu  
18 thereof “(A) Except as provided in subparagraph (B),  
19 the”, and (2) by adding at the end thereof the following:

20 “(B) With respect to the fiscal years ending June 30,  
21 1970, June 30, 1971, and June 30, 1972, the balance in the  
22 employment security administration account at the close of  
23 each such fiscal year shall not be considered excess but shall

1 be retained in the account for use as provided in paragraph  
2 (1) of subsection (c)."

3 **SEC. 4. EFFECTIVE DATE.**

4 (a) The amendments made by the first two sections of  
5 this Act shall apply with respect to calendar years beginning  
6 after December 31, 1969.

7 (b) The amendments made by section 3 shall take effect  
8 upon enactment of this Act.

Passed the House of Representatives May 13, 1969.

Attest:

W. PAT JENNINGS,

*Clerk.*



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## AN ACT

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To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable years; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

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MAY 16, 1969

Read twice and referred to the Committee on Finance







June 26, 1969

SENATE

11. CONSERVATION. Passed as reported S. 1790, the Great Plains conservation bill. Sen. Mansfield quoted from the committee report: "This bill would extend the Great Plains conservation program for 10 years and enlarge its scope in a number of minor respects. The program is one under which the Secretary enters into conservation cost sharing contracts of up to 10 years with producers in counties susceptible to wind erosion in the States of Colorado, Kansas, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming." pp. S7199-202  
Passed as reported S. 1076, to establish a Youth Conservation Corps in the Departments of the Interior and Agriculture. Sen. Mansfield quoted from the committee report: "The purpose of this legislation...is to establish a pilot Youth Conservation Corps program for young men and women, 14--18 years of age, who would participate in summer work and educational projects in our national parks, forests, recreation areas, wildlife refuges, and other public lands administered by the Departments of the Interior and Agriculture for periods up to 90 days...The bill authorizes appropriations to support a 3-year pilot program for approximately 3000 youth each year." pp. S7202-4
12. TAXATION. The Finance Committee reported with amendment H. R. 9951, relative to the collection of Federal unemployment tax (S. Rept. 91-281). p. S7214  
Sen. Metcalf expressed his willingness for the present income tax withholding rates to be continued for 90 days so that any proposal to extend the surcharge can be considered simultaneously with comprehensive tax reform. p. S7225
13. RESEARCH. The Aeronautical and Space Sciences Committee reported with amendment H. R. 11271, to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and research and program management (S. Rept. 91-282) (p. S7214). Includes in the Space Applications program for cooperation with this Department in determining the spectrum of remote sensor requirements necessary to apply space technology to the fields of agriculture, forestry, oceanography, meteorology, etc.  
Passed with amendment H. R. 12167, fiscal 1970 authorizations for the Atomic Energy Commission. Includes funds for isotopes development program involving use of radioisotopes for combating environmental pollution and for the preservation of food by radiation. S. 2416, a similar bill, was postponed indefinitely. pp. S7265-71
14. EXPORT CONTROL. Passed without amendment S. J. Res. 122, to provide for a temporary extension of the authority conferred by the Export Control Act of 1949. p. S7204
15. RECREATION. Passed as reported S. 621, to provide for the establishment of the Apostle Islands National Lakeshore, Wisc. pp. S7212-14  
Passed with amendments S. 1708, to amend the Land and Water Conservation Fund Act of 1965 by authorizing the sale of surplus Federal properties at less than the full 50 percent of fair market value which is required under present law. pp. S7271-2, S7280-2

16. APPROPRIATIONS. Sen. Williams, Del., submitted and discussed two amendments he intends to propose to the USDA appropriation bill. He stated that one amendment would place a limit of \$20,000 on farm payments and the other would repeal the "snap-back" provision. He inserted a list of the 1968 total payments of \$60,000 and over under ASCS programs (excluding price support loans). pp. S7224-5, S7275-80  
H. R. 11582, the Treasury-Post Office appropriation bill was made the unfinished business. p. S7282
17. APPALACHIA. The "Daily Digest" states that the Public Works Committee voted to report (but did not actually report) S. 1072, the "proposed Appalachian Regional Development Act Amendments of 1969. As approved by the committee the bill would provide: (1) \$294 million for fiscal years 1970 and 1971 for Appalachian regional development, including extension of Appalachian development, including extension of Appalachian highway system (2) \$285 million for fiscal years 1970 and 1971 for extension of authority of the five regional commissions, not more than \$100 million of which could be used for regional development transportation system, and (3) 1-year extension of title 1 of the Public Works and Economic Development Act providing public works grants through the Economic Development Administration." p. D559
18. WATER POLLUTION. The "Daily Digest" states a subcommittee of the Public Works Committee approved for full committee consideration with amendments S. 7, proposed Water Quality Improvement Act of 1969. p. D559
19. INTEREST RATES. Sen. Montoya stated the effect of the raise in interest rates "will spread far and wide--to the ruin of homebuilders, homeowners, small businessmen, farmers, and others." pp. S7227-9
20. WATER. Sen. Murphy inserted an article by former Assistant Secretary of Agriculture Earl Coke in support of legislation to modernize the "archaic 160-acre limitation provision of our reclamation regulations." p. S7235
21. TIMBER; FORESTRY. Sen. Montoya stated that it is the Forest Service which is "largely responsible for the conditions which are depriving producers of raw material they can operate profitably." He announced hearings in order to seek "an accounting from the Secretary of Agriculture for the conduct of the Forest Service." p. S7237
22. POVERTY. Sen. Goodell inserted a review of Dr. Levitan's book, "The Great Society's Poor Law: A New Approach to Poverty." pp. S7254-55
23. GRAINS. Sen. Hruska spoke in support of proposed legislation to authorize the Commodity Credit Corporation to insure loans made to farmers for the construction or purchase of facilities for storage of grain on the farm. p. S7255  
Sen. Hartke criticized the International Grains Arrangement and stated that the "high prices established by the new convention have encouraged uneconomical production of wheat abroad." pp. S7257-61
24. EDUCATION. Sen. Murphy inserted his testimony in favor of Federal aid to education in impacted areas. pp. S7261-5







## COLLECTION OF FEDERAL UNEMPLOYMENT TAX

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JUNE 26, 1969.—Ordered to be printed

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Mr. LONG, from the Committee on Finance,  
submitted the following

### REPORT

[To accompany H.R. 9951]

The Committee on Finance, to which was referred the bill (H.R. 9951) to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

#### SUMMARY OF THE BILL AS PASSED BY THE HOUSE

The House bill would—

- (1) Require that Federal unemployment taxes be paid quarterly, rather than annually as under present law;
- (2) Phase in the transition from an annual to quarterly basis over a 3-year period;
- (3) Exempt an employer from the quarterly requirement if his cumulative tax liability is \$100 or less; and
- (4) Make certain other changes to assure that the accelerated revenues collected could be used for State and Federal administrative expenses.

## SUMMARY OF AMENDMENT

The amendment reported by the committee adds provisions to the Internal Revenue Code relating to the tax consequences of making or offering improper payments by private foundations to Government officials. In such cases: (1) the foundation making the improper payment is to lose its exempt status and contributions to it are no longer to be deductible, (2) a tax of 100 percent of the amount received is to be imposed upon the Government official receiving this payment, and (3) in certain circumstances a tax of 100 percent of the amount involved is to be imposed upon the foundation manager or managers responsible for the payment.

## ACCELERATED COLLECTION OF FEDERAL UNEMPLOYMENT TAX

## BACKGROUND

Under present law, a 3.1-percent Federal unemployment tax is imposed on employers. However, the employer receives a 2.7-percent tax credit if his State has an approved unemployment compensation program—as all States do.

The remaining 0.4 percent, called the net Federal tax, is used to pay the cost of Federal and State administration of the unemployment insurance and employment service programs. Revenues from the net Federal tax are first put in an Employment Security Administration account for current Federal and State administrative expenses; any funds not used for this purpose during the fiscal year are placed in a special loan account from which States can get advances when the cost of unemployment benefits becomes particularly heavy.

The Congress through the appropriations process determines the amounts for Federal and State administrative expenses; however, appropriations for State expenses cannot exceed 95 percent of the estimated net Federal unemployment tax receipts for the fiscal year.

An “employer” for purposes of the unemployment tax includes any person who has employed at least four different persons for at least 1 day during each of at least 20 weeks during a year. Only the first \$3,000 of an employee’s wages is subject to the unemployment tax.

Since the \$3,000 limitation has been in effect for almost three decades, tax revenues today do not grow as wages rise, but rather only as more workers enter the labor force. Administrative costs, however, do reflect wage increases. It is estimated that these costs will exceed unemployment tax revenues by about \$26 million in fiscal year 1970; the deficit is expected to increase in succeeding years, since expenses are increasing at a faster rate than revenues.

## THE BILL

H.R. 9951 would provide temporary relief for this problem. Basically, the bill would accelerate Federal unemployment tax collections by requiring their collection on a quarterly basis. They are presently collected once annually, in January following the year in which the wages are paid.

The change from annual to quarterly collections would be phased in over a 3-year period to ease the financial burden on employers. Even



with this phasing in, the accelerated collections would permit projected revenues to exceed administrative costs in fiscal years 1970, 1971, and 1972. This would be possible not because of any increase in employers' tax liability, but because of the timing of collections, which would occur sooner than under present law. Once the transition to quarterly collections is complete, beginning with fiscal year 1973, collections during a fiscal year would only be slightly higher than under present law. They would be higher because April tax collections would be credited to the current fiscal year rather than to the following fiscal year.

Quarterly tax collections would result in another advantage to the unemployment compensation program. Under the present annual collection system, the Employment Security Administration account has had to borrow funds at interest in order to make payments during the first part of the fiscal year. An estimated \$5.3 million in interest costs will be saved in 1971 and 1972 because of the more current receipt of taxes as they are collected on a quarterly basis.

#### *Quarterly taxpayments*

Beginning in calendar year 1970, the Federal unemployment tax would be computed by an employer during the month following the end of each calendar quarter. He would not file a quarterly tax return of wages paid, but he would be required to deposit the taxes due with a Federal Reserve bank or other authorized depository. No deposit would be required if the employer's tax liability (plus any accumulated tax liability) was \$100 or less. The employer would file his tax return annually by the end of each January (as under present law), and at that time he would pay the balance of the unemployment taxes still owed.

In order to ease the adjustment of employers to the new payment schedule, the change to full quarterly payments would be made over a 3-year period. In 1970, the employer would only be required to deposit one-third of his quarterly tax during April, July, and October 1970; he would pay the remainder of his tax when he filed his 1970 tax return in January 1971. In calendar year 1971, the employer would be required to deposit two-thirds of his quarterly tax during April, July, and October 1971; he would pay the remainder of his tax when he filed his 1971 tax return in January 1972. Beginning in calendar year 1972, the full quarterly tax would be deposited after each quarter. No deposit would be required for any quarter in which the employer's tax liability (plus any accumulated tax liability for previous quarters) was \$100 or less.

The \$100 exemption is consistent with current requirements on deposits of income tax withheld. Under Treasury Department regulations, every employer who withholds more than \$100 in employee income taxes monthly must deposit those taxes with a Federal Reserve bank or other authorized bank within 15 days after the end of the month.

The provision concerning cumulative taxes of less than \$100 would work as follows. At the end of each of the first three quarters of a calendar year, the employer would compute his Federal unemployment tax liability of 0.4 percent of the first \$3,000 of each worker's annual wages. There would be a 2-year transition to this new system.

Under it, in 1970, he would compute one-third of his liability; in 1971, he would compute two-thirds. If the resulting figure was more than \$100, he would deposit the amount with a Federal Reserve bank or other authorized depository. If the figure was \$100 or less, he would not be required to deposit the tax until his cumulative undeposited taxes for this and prior quarters totaled more than \$100.

In January, the employer would compute his Federal unemployment tax liability for the entire previous year; he would subtract from this the amounts he had already deposited for the first three quarters of the previous year, and he would make full payment of the remaining balance, whether or not it was \$100 or less.

At the 0.4 percent net Federal tax rate, \$100 represents the quarterly tax on a taxable payroll of \$25,000. Since only one-third of an employer's quarterly tax would have to be deposited in 1970, in that year only employers with taxable payrolls of more than \$75,000 each quarter would be required to make a deposit each quarter. In 1971, when two-thirds of the employer's quarterly tax would have to be deposited, only employers with taxable payrolls of more than \$37,500 each quarter would be required to make a deposit each quarter.

For example, an employer with a taxable payroll of \$27,000 in each quarter would have a tax liability of \$432 annually, or \$108 quarterly. In 1970, one-third of his quarterly liability would be \$36; since this is less than \$100, no deposit would be required in April 1970. In July 1970, he still would not be required to make a deposit. But in October 1970, the cumulative amount of \$108 owed for the first three quarters would have to be deposited. In January 1971, the remaining \$324 of his 1970 unemployment tax liability would be paid when the annual tax return was filed.

In calendar year 1971, two-thirds of this employer's quarterly tax liability would be \$72; no deposit would be required in April 1971 since this amount is less than \$100. In July 1971, the cumulative amount would be \$144, and that full amount would be deposited. No deposit would be required in October 1971; the remaining \$288 of tax liability would be paid in January 1972.

Beginning in calendar year 1972, this employer's tax liability would be \$108 in each quarter, and this amount would be deposited after each quarter.

#### *Employment Security Administration account*

Under the Social Security Act, unemployment tax revenues in the Employment Security Administration account not used for State and Federal administrative expenses during a fiscal year are transferred to a special loan account (called the Federal unemployment account) from which States can get advances when the cost of unemployment benefits becomes particularly heavy. The current balance in the loan fund will be more than adequate to meet the anticipated need over the next few years. But to insure that the accelerated tax revenues required by the bill would be available for State and Federal administrative expenses, it is necessary to amend present law. The bill accord-



ingly would provide that any tax revenues not used during fiscal years 1970, 1971, and 1972 for current State and Federal administrative expenses would be retained in the Employment Security Administration account for future administrative expenses rather than transferred to the loan account.

Under existing law, grants to States for administrative costs are limited to 95 percent of estimated tax collections during the fiscal year. The bill would add to this limit any revenues attributable to, but not used in fiscal years 1970, 1971, and 1972 which remained in the Employment Security Administration account. Such a provision is necessary to assure that the accelerated tax revenues would be available for State administrative expenses. The actual amount appropriated for administrative costs in any fiscal year would continue to be determined through the congressional appropriations process.

#### *Definition of employer*

Present law defines an employer for unemployment tax purposes as someone who has four or more employees "each of some 20 days during the taxable year, each day being in a different calendar week." Since the 20th week of a year comes in May, no business under present law meets the statutory definition of an "employer" until then. In order to make possible the collection of unemployment taxes in April for the first quarter of the year, the definition of "employer" must be modified. The bill would broaden the definition of "employer" to include employers who met the definition in the previous year. This is the approach used by most States, which collect State unemployment taxes quarterly. The Labor Department estimates that the impact of this change in the definition on coverage would probably be relatively slight.

#### *Effective dates*

The changes made by the bill relating to the definition of employer and to the quarterly collection of Federal unemployment taxes would be effective for calendar years 1970 and thereafter.

The changes relating to the availability of funds in the Employment Security Administration account would be effective on the date of enactment.

#### *Fiscal impact*

Under present law, State and Federal administrative costs are expected to exceed tax collections by \$26 million in fiscal year 1970, and by greater amounts in succeeding fiscal years. The bill would result in an estimated \$34.3 million surplus in fiscal year 1970, with slightly larger surpluses in fiscal years 1971 and 1972. These amounts are shown in table 1 below. Table 2 compares Federal unemployment tax collections under present law and under the bill.

TABLE 1.—ESTIMATED FEDERAL UNEMPLOYMENT TAX AND FEDERAL AND STATE ADMINISTRATIVE COSTS, FISCAL YEARS 1969-72, UNDER PRESENT LAW AND UNDER H.R. 9951

[In millions of dollars]

	Fiscal year—			
	1969	1970	1971	1972
Present law:				
Unemployment tax collections.....	\$632.0	\$665.0	\$695.0	\$725.0
Administrative costs:				
State administrative costs <sup>1</sup> .....	604.1	657.7	704.0	750.4
Federal administrative costs <sup>1</sup> .....	31.9	29.1	30.1	30.8
Interest on advances.....	4.0	4.2	4.4	4.6
Subtotal, administrative costs.....	640.0	691.0	738.5	785.8
Annual deficit.....	-8.0	-26.0	-43.5	-60.8
H.R. 9951:				
Unemployment tax collections.....	632.0	725.3	775.8	825.5
Administrative costs:				
State administrative costs <sup>1</sup> .....	604.1	657.7	704.0	750.4
Federal administrative costs <sup>1</sup> .....	31.9	29.1	30.1	30.8
Interest on advances.....	4.0	4.2	2.7	1.6
Subtotal, administrative costs.....	640.0	691.0	736.8	782.2
Annual surplus (+) or deficit (-).....	-8.0	+34.3	+39.0	+43.3

<sup>1</sup>1970 figures as in revised budget; 1971 and 1972 projections provide only for mandatory increases in administrative costs.

TABLE 2.—ESTIMATED FEDERAL UNEMPLOYMENT TAX COLLECTIONS UNDER PRESENT LAW AND H.R. 9951, FISCAL YEARS 1970-73

Fiscal year	Wages paid in—	Tax collected in—	Amount collected (millions)
Present law:			
1970.....	Calendar year 1969.....	January 1970.....	\$665.0
1971.....	Calendar year 1970.....	January 1971.....	695.0
1972.....	Calendar year 1971.....	January 1972.....	725.0
1973.....	Calendar year 1972.....	January 1973.....	755.0
H.R. 9951:			
1970.....	Calendar year 1970.....	January 1970.....	665.0
	January-March 1970.....	April 1970.....	60.3
Total, fiscal year 1970.....			725.3
1971.....	April-June 1970.....	July 1970.....	66.6
	July-September 1970.....	October 1970.....	47.7
	October-December 1970.....	January 1971.....	1520.8
	January-March 1971.....	April 1971.....	141.1
Total, fiscal year 1971.....			775.8
1972.....	April-June 1971.....	July 1971.....	142.5
	July-September 1971.....	October 1971.....	91.4
	October-December 1971.....	January 1972.....	1350.0
	January-March 1972.....	April 1972.....	241.6
Total, fiscal year 1972.....			825.5
1973.....	April-June 1972.....	July 1972.....	224.4
	July-September 1972.....	October 1972.....	135.9
	October-December 1972.....	January 1973.....	153.1
	January-March 1972.....	April 1973.....	251.2
Total, fiscal year 1973.....			764.6

<sup>1</sup> Includes all taxes due on wages paid during the previous calendar year not deposited during the previous year.



## IMPROPER PAYMENTS BY PRIVATE FOUNDATIONS TO GOVERNMENT OFFICIALS

### REASONS FOR THE AMENDMENT

In recent months an increasing number of instances have been made public in which private foundations have made or agreed to make payments, sometimes quite substantial and sometimes for long periods of time, to various Government officials. Private foundations, like other organizations exempt under section 501(c)(3) of the code, enjoy tax privileges of several types. Typically, the donor or donors have received income tax charitable contribution deductions, estate tax deductions, and gift tax exemptions for their transfers to the foundations. Also, the foundations themselves are exempt from taxation on their otherwise taxable income. In many cases, it is believed, a substantial portion of the assets of the foundation can presently be accounted for as the result of the tax benefits received from the Federal Government. In short, current assets of private foundations frequently arise from funds which, if taxes had not been foregone as a result of deductions or exemption, would be largely public money rather than private money. Moreover, unlike most other such exempt organizations, private foundations generally have little or no responsibility to outside parties since they are not dependent upon the general public for support or patronage.

Under the present law, there are certain specific restrictions on an organization coming under the provisions of section 501(c)(3) once it establishes it is organized and operated for an exempt purpose. The exemption is lost if the organization participates in, or intervenes in, a political campaign on behalf of any candidate for public office. Exempt status is also lost if certain "prohibited transactions" are engaged in. Unreasonable accumulations of income may result in the denial of exemption and unrelated business income may be taxable to such an organization (with certain limited exceptions) even though the tax exemption itself is not lost.

While the "prohibited transactions" provisions referred to above are designed to prevent self-dealing between the exempt organization and its creator or major contributors, unfortunately, there is no provision in the present law which specifically deals with the practice whereby private tax-exempt foundations make payments to public officials or members of their families.

In the view of this committee it is intolerable to permit what in effect amounts to public money to be used by private parties not responsible to the public directly or through Government, in ways that may improperly affect the attitudes and official actions of Government officials at policymaking levels. Accordingly, the committee has approved an amendment to this bill which would apply in the case of private foundations making payments of money to, making gifts to, transferring or leasing property to, or employing Government officials and spouses and children of Government officials, or offering to do any of the foregoing for such persons. The Government officials to which the bill relates are those who are elected and presidentially appointed Federal officials, Federal employees paid at the "supergrade" level, Senate and House employees paid at least \$15,000 a year, and officials of a State (other than legislators and legislative officials)

who are elected or appointed by the Governor or by the State legislature.

If a private foundation engages, directly or indirectly, in such a transaction with a Government official or even offers to engage in such a transaction, its exempt status is to be withdrawn (a special provision would permit such an organization to apply for renewal of its exempt status after a time). In addition, where a payment or transfer is actually made, the Government official would have to pay over in taxes the entire value of the payment or transfer. Finally, where a foundation official knowingly authorizes an improper transaction then he, too, would be required to pay over to the Government the entire value of what was offered or paid or transferred.

The committee is well aware that the general subject of tax treatment of private foundations is presently being considered in the House Ways and Means Committee. However, the particular matter to which this amendment is addressed was not the subject of hearings in that committee and at least up to this time, has not been included in the reform legislation presently being considered. Since this committee has considered the matter and has received the benefit of testimony at public hearings and since disclosures of such payments are becoming more frequent, the committee has concluded that the more responsible position is for this body to take action in this area at this time. This conclusion is buttressed by the fact that the Judicial Conference of the United States recently announced (after our hearings on the subject) that judges of the Federal Courts (other than the Supreme Court) are not to receive outside compensation (even if disguised "in the form of loans, gifts, gratuities, honoraria, or otherwise").

#### GENERAL EXPLANATION

(1) *Loss of exempt status (sec. 5 of the bill and sec. 505 of the code).*—A new provision, section 505, is added to that part of the Internal Revenue Code dealing with exempt organizations. A private foundation will lose its exempt status and contributions to it will not be deductible if it engages, directly or indirectly, in any of the following transactions with a government official or a member of his family:

(1) Makes, or offers to make, any payment of money to any such individual.

(2) Makes, or offers to make, any gift or contribution, in any form whatsoever, to or for the use of any such individual, or makes, or offers to make, services or facilities available to any such individual.

(3) Transfers or leases, or offers to transfer or lease, any property to any such individual, or purchases or leases, or offers to purchase or lease, any property from any such individual.

(4) Employs, or offers to employ, any such individual, or retains, or offers to retain, the personal services of any such individual (unless such employment or personal services are performed without payment of any compensation or fee whatsoever).

The typical sale of listed securities through a broker, where neither the purchaser nor the seller knows the identity of the other participant, is not intended to be covered by these provisions.



A special feature makes the provision inapplicable to certain indirect transactions where benefits flow from the private foundation to the Government official. This exception relates to situations where the benefit to the Government official comes directly through an organization exempt under section 501(c)(3) which is not a private foundation, or from a governmental agency or instrumentality. The exception would be operative only where the private foundation does not request or direct that the transaction be made, or have prior knowledge of the identity of the individual involved. So, for example, a private foundation will remain free to make grants for certain types of studies in which Government officials participate but only if an independent public exempt organization, such as a university, has real control over the selecting process and actually makes the selection completely independent of the private foundation.

Under this rule beneficial research projects (such as development of new varieties of rice and wheat), which are financed by private foundations and conducted by universities and colleges or any other 501(c)(3) tax-exempt organization (exclusive of a private foundation) would not be affected and Government officials could participate in the project and have their expenses paid so long as the foundation does not request or direct their participation or have prior knowledge of their identity. On the question of identity, the private foundation could know generally the nature of a program and that Government officials were to attend, such as where a university, for example, desires to conduct a meeting of leading jurists and attorneys to revise court procedures and plans to include leading Government officials in the program. However, where the nature of the meeting would serve to identify a substantial number of the Government officials attending (by class or otherwise) such as a meeting of all U.S. attorneys, then prior knowledge of the meeting by the private foundation would be tantamount to prior knowledge of the identity of the participants.

It is not intended that this provision apply where gifts are made to institutions for which Government officials may be acting as trustee since in this case the gift is made to the principal and not to the agent. For example, this would mean that the provision outlined here would not apply in cases where public officials are trustees of an educational institution which receives a grant from a private foundation for use of the school.

This provision contains five exceptions to the general rules:

(a) Prizes and awards referred to in section 74 of the code where the candidates are selected from the general public.

(b) Scholarship and fellowship grants referred to in section 117 of the code where the recipients are candidates for degrees and are chosen from the general public on a competitive basis or on the basis of need.

(c) Annuities or other payments made under a qualified pension plan or qualified annuity plan.

(d) Services or facilities which are made available to Government officials and their families on the same basis that they are made available to the general public.

(e) Any contributions or gifts, or services or facilities (including meals) which are made available to the Government officials that do not exceed \$25 in value in any one calendar year.

A private foundation to which this provision applies is defined in general as an exempt 501(c)(3) organization that does not receive a substantial part of its support from the United States or local governments or the general public, the charitable contribution to which is limited to 20 percent of adjusted gross income. Churches, schools, and hospitals are not included.

The Government officials to which this provision applies are elected and presidentially appointed Federal officers, Federal civil service employees paid at least as much as the starting salary for GS-16 (the lowest of the "supergrades"), Federal schedule C employees, House and Senate employees paid at an annual rate of at least \$15,000, and State elected and gubernatorially appointed officers in the executive and judicial branches. This provision also applies to the Government official's spouse and his children under 21.

This provision does not extend to State legislative officials, most of whom operate on a part-time basis, receive small salaries and who generally continue their business or professional activities during their terms of office, particularly when legislatures are not in session. Nor does it apply to officials of counties and other subdivisions of States, essentially for the same reason. With these exceptions, the definition is intended to generally apply to those officials who are likely to be in policymaking positions, or in positions where they advise on policy.

If a foundation has engaged in a transaction covered by this provision, it will be denied exempt status for all taxable years beginning with the taxable year during which it is officially notified by the Commissioner that it has engaged in such a transaction. If the foundation thereafter applies for reinstatement of its exempt status and the Commissioner is satisfied that the foundation will not knowingly engage in any transaction to which this provision applies, then the foundation may once again be exempt. Of course, it must still satisfy the other code provisions. This "redemption" provision operates only to prospectively excuse the specific violation or violations that gave rise to the official notification contemplated in this provision. In any event, the organization will have lost its exempt status for at least 2 years.

This provision is to apply to taxable years ending after the date of enactment but only with respect to transactions occurring after the date of enactment.

(2) *Tax on officials and managers (sec. 6 of the bill and secs. 4891 through 4893 of the code).*—Where section 505(a) has been violated (that is, where a payment, transfer, employment, or preferred use of facilities has been made or offered) an excise tax is to be imposed to remove from the Government official the entire benefit which he or his family received. The excise tax imposed by section 4891 is based upon the entire amount involved and (except in the case of sales to and purchases from private foundations) not merely the official's net profit. Expenses incurred in earning this amount do not reduce the figure upon which the tax is to be calculated.

Where the foundation manager involved in authorizing the transaction knew that it violated section 505(a), and the transaction is completed, a tax is imposed upon the manager in an amount equal to the money or value of facilities improperly paid. However, if the trans-



action is not completed, then the tax is imposed upon the amount offered. If the amount involved cannot be determined; for example, where an offer of employment was for an indefinite period or for an unspecified salary and the offer was rejected by the Government official, then the tax is to be \$5,000.

The tax is imposed upon the foundation manager or managers who authorize the transaction only if he or they know that it is a transaction to which new section 505(a) applies. For purposes of this tax a manager is, in general, a foundation official or supervisor who has authority to determine the transactions in which the foundation engages.

In order to coordinate these provisions with the income taxes to which such Government officials and managers are subject, any amounts subject to this 100-percent tax will not be included in gross income for income tax purposes.

These provisions, too, will apply to taxable years ending after the date of enactment but only with respect to payments, transfers, and use of facilities after the date of enactment.

### CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in *roman*) :

## INTERNAL REVENUE CODE OF 1954

### CHAPTER 1—NORMAL TAXES AND SURTAXES

\* \* \* \* \*

#### Subchapter B—Computation of Taxable Income

\* \* \* \* \*

### PART III—ITEMS SPECIFICALLY EXCLUDED FROM GROSS INCOME

- Sec. 101. Certain death benefits.
- Sec. 102. Gifts and inheritances.
- Sec. 103. Interest on certain governmental obligations.
- Sec. 104. Compensation for injuries or sickness.
- Sec. 105. Amounts received under accident and health plans.
- Sec. 106. Contributions by employer to accident and health plans.
- Sec. 107. Rental value of parsonages.
- Sec. 108. Income from discharge of indebtedness.
- Sec. 109. Improvements by lessee on lessor's property.
- Sec. 110. Income taxes paid by lessee corporation.
- Sec. 111. Recovery of bad debts, prior taxes, and delinquency amounts.
- Sec. 112. Certain combat pay of members of the Armed Forces.
- Sec. 113. Mustering-out payments for members of the Armed Forces.
- Sec. 114. Sports programs conducted for the American National Red Cross.
- Sec. 115. Income of States, municipalities, etc.
- Sec. 116. Partial exclusion of dividends received by individuals.
- Sec. 117. Scholarships and fellowship grants.

Sec. 118. Contributions to the capital of a corporation.

Sec. 119. Meals or lodging furnished for the convenience of the employer.

Sec. 121. Gain from sale or exchange of residence of individual who has attained age 65.

Sec. 122. Certain reduced uniformed services retirement pay.

Sec. 123. Amounts received by government officials subject to excise tax.

Sec. **[123]** 124. Cross references to other Acts.

\* \* \* \* \*

### **SEC. 123. AMOUNTS RECEIVED BY GOVERNMENT OFFICIALS SUBJECT TO EXCISE TAX.**

*Gross income does not include any money or the value of any property, services, or facilities received by a government official or a member of his family on the receipt of which a tax is imposed by section 4891(a).*

SEC. **[123]** 124. CROSS REFERENCES TO OTHER ACTS.

\* \* \* \* \*

## **Subchapter F—Exempt Organizations**

Part I. General rule.

Part II. Taxation of business income of certain exempt organizations.

Part III. Farmers' cooperatives.

Part IV. Shipowners' protection and indemnity associations.

### **PART I—GENERAL RULE**

Sec. 501. Exemption from tax on corporations, certain trusts, etc.

Sec. 502. Feeder organizations.

Sec. 503. Requirements for exemption.

Sec. 504. Denial of exemption.

Sec. 505. *Improper transactions by private foundations with government officials.*

### **SEC. 501. EXEMPTION FROM TAX ON CORPORATIONS, CERTAIN TRUSTS, ETC.**

(a) **EXEMPTION FROM TAXATION.**—An organization described in subsection (c) or (d) or section 401 (a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502, 503, or 504.

(b) **TAX ON UNRELATED BUSINESS INCOME.**—An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in part II of this subchapter (relating to tax on unrelated income), but, notwithstanding part II, shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

(c) **LIST OF EXEMPT ORGANIZATIONS.**—The following organizations are referred to in subsection (a):

(1) Corporations organized under Act of Congress, if such corporations are instrumentalities of the United States and if, under such Act, as amended and supplemented, such corporations are exempt from Federal income taxes.

(2) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section.

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable,

scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

\* \* \* \* \*

**SEC. 505. IMPROPER TRANSACTIONS BY PRIVATE FOUNDATIONS WITH GOVERNMENT OFFICIALS.**

(a) *DENIAL OF EXEMPTION.*—A private foundation or organization shall not be exempt from taxation under section 501(a) if such foundation or organization engages, directly or indirectly, in any of the following transactions with an individual who is a government official or a member of the family of a government official:

(1) Makes, or offers to make, any payment of money to any such individual.

(2) Makes, or offers to make, any gift or contribution, in any form whatsoever, to or for the use of any such individual, or makes, or offers to make, services or facilities available to any such individual.

(3) Transfers or leases, or offers to transfer or lease, any property to any such individual, or purchases or leases, or offers to purchase or lease, any property from any such individual.

(4) Employs, or offers to employ, any such individual, or retains, or offers to retain, the personal services of any such individual (unless such employment or personal services are performed without payment of any compensation or fee whatsoever).

(b) *EXCEPTIONS.*—Subsection (a) shall not apply to—

(1) prizes or awards which are excluded from the gross income of the recipients under section 74, if the recipients of such prizes or awards are selected from the general public;

(2) scholarships or fellowships which are excluded from the gross income of the recipients under section 117, if the recipients of such scholarships or fellowships are candidates for degrees at educational institutions (as defined in section 151(e)(4)) and are selected from the general public on a competitive basis or on a basis of need;

(3) any annuity or other payment (A) by a trust (forming part of a stock-bonus, pension, or profit-sharing plan) which is a qualified trust under section 401, or (B) under a plan which meets the requirements of section 404(a)(2);

(4) any services or facilities made available to any such individual on the same basis as they are made available to the general public; or

(5) any contribution or gift (other than a contribution or gift of money) to, or services or facilities made available to, any such individual, if the aggregate value of such contributions, gifts, services, or facilities to, or made available to, such individual during the calendar year does not exceed \$25.

(c) *DEFINITIONS.*—For purposes of this section.—

(1) *PRIVATE FOUNDATION OR ORGANIZATION.*—The term “private foundation or organization” means any organization described in section 501 (c) (3) and exempt from taxation under section 501 (a)



which does not normally receive a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function which constitutes the basis for its exemption under section 501 (a)) from either—

(A) the United States, a State, or a possession of the United States, a political subdivision of a State or possession, or the District of Columbia, or

(B) direct or indirect contributions from the general public, except that such term does not include a church or a convention or association of churches, an educational organization referred to in section 503 (b) (2), or a hospital referred to in section 503 (b) (5).

(2) **GOVERNMENT OFFICIAL.**—The term “government official” means, with respect to a transaction described in subsection (a), an individual who, at the time of such transaction, holds any of the following offices or positions:

(A) an elective public office in the executive or legislative branch of the Government of the United States;

(B) an office in the executive, legislative, or judicial branch of the Government of the United States, appointment to which was made by the President;

(C) a position in the executive, legislative, or judicial branch of the Government of the United States—

(i) which is listed in schedule C of rule VI of the Civil Service Rules, or

(ii) the compensation for which is equal to or greater than the lowest rate of compensation prescribed for GS-16 of the General Schedule under section 5332 of title 5, United States Code;

(D) a position under the House of Representatives or the Senate of the United States held by an individual receiving gross compensation at an annual rate of \$15,000 or more;

(E) an elective public office in the executive or judicial branch of the government of a State or of the District of Columbia; and

(F) an office in the executive or judicial branch of the government of a State or of the District of Columbia, appointment to which (or election to which) was made by the Governor or legislature of the State, or by the Commissioner of the District of Columbia.

(3) **MEMBERS OF FAMILY.**—The members of the family of an individual, with respect to a transaction described in subsection (a), are—

(A) his spouse (other than a spouse who is legally separated from the individual under a decree of divorce or separate maintenance), and

(B) the children (including legally adopted children and stepchildren) of such individual who have not attained the age of 21.

(d) **CERTAIN INDIRECT TRANSACTIONS.**—Subsection (a) shall not apply to a transaction engaged in indirectly by a private foundation or organization with an individual if the transaction with such individual—

(1) IS ENGAGED IN DIRECTLY BY—



(A) an organization (other than a private foundation or organization) which is described in section 501(c)(3) and is exempt from taxation under section 501 (a), or

(B) an organization which is an agency or instrumentality of (or owned or operated by) the United States, a State, a political subdivision of a State, or one or more States or political subdivisions, and

(2) is not engaged in by such organization on behalf of, or at the request or direction of, the private foundation or organization, or with prior knowledge and approval by the private foundation or organization of the identity of such individual.

(e) **TAXABLE YEARS AFFECTED.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), a private foundation or organization shall be denied exemption from taxation under section 501(a) by reason of subsection (a) for all taxable years beginning with the taxable year during which it is notified by the Secretary or his delegate that it has engaged in a transaction to which subsection (a) applies. The Secretary or his delegate shall publish such notice in the Federal Register on the day on which he so notifies such private foundation or organization.

(2) **FUTURE STATUS.**—Under regulations prescribed by the Secretary or his delegate, any private foundation or organization which is denied exemption from taxation under section 501(a) by reason of subsection (a) may, with respect to the second taxable year following the taxable year in which notice is given under paragraph (1) (or any taxable year thereafter), file claim for exemption from taxation under section 501(a). If the Secretary or his delegate is satisfied that such private foundation or organization will not knowingly again engage in a transaction to which subsection (a) applies such private foundation or organization shall not, with respect to taxable years beginning with the taxable year with respect to which such claim is filed, be denied exemption from taxation under section 501(a) by reason of any transaction to which subsection (a) applies engaged in before the date on which such notice was given under paragraph (1).

(f) **DISALLOWANCE OF CHARITABLE DEDUCTIONS.**—No gift, contribution, bequest, devise, legacy, or transfer, otherwise allowable as a deduction under section 170, 545(b)(2), 642(c), 2055, 2106(a)(2), or 2522, shall be allowed as a deduction if made—

(1) to a private foundation or organization after the date on which the Secretary or his delegate publishes notice under subsection (e)(1) that he has notified such foundation or organization that it has engaged in a transaction to which subsection (a) applies, and

(2) in a taxable year of such private foundation or organization for which it is not exempt from taxation under section 501(a) by reason of subsection (a).

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## CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

\* \* \* \* \*

### SEC. 3306. DEFINITIONS.

(a) **EMPLOYER.**—For purposes of this chapter, the term “employer” does not include any person unless on each of some 20 days during the

taxable year or during the preceding taxable year, each day being in a different calendar week, the total number of individuals who were employed by him in employment for some portion of the day (whether or not at the same moment of time) was 4 or more.

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## CHAPTER 39—REGULATORY TAXES

SUBCHAPTER A. Narcotic drugs and marihuana.

SUBCHAPTER B. White phosphorus matches.

SUBCHAPTER C. Adulterated butter and filled cheese.

SUBCHAPTER D. Cotton futures.

SUBCHAPTER E. Circulation other than of national banks.

SUBCHAPTER F. Transactions by Government officials with tax-exempt private foundations.

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### *Subchapter F—Transactions by Government Officials with Tax-Exempt Private Foundations*

*Sec. 4891. Taxes imposed.*

*Sec. 4892. Definitions.*

*Sec. 4893. Special rules.*

#### **SEC. 4891. TAXES IMPOSED.**

(a) *GOVERNMENT OFFICIALS.*—*There is hereby imposed on the receipt by a government official or a member of his family of—*

(1) *any money from a tax-exempt private foundation or organization in a transaction to which section 505(a) applies, or*

(2) *any property (other than money) from, or services or facilities furnished by, a tax-exempt private foundation or organization in a transaction to which section 505(a) applies,*

*a tax equal to 100 percent of the amount of money, or the fair market value of the property, services, or facilities, so received.*

(b) *FOUNDATION MANAGERS.*—*In any case in which a tax is imposed under subsection (a) with respect to a transaction to which section 505(a) applies, there is hereby imposed on the foundation manager or managers who authorize such transaction on behalf of the tax-exempt private foundation or organization, knowing that it is a transaction to which such section applies, a tax equal to the tax imposed by subsection (a). In the case of a transaction to which section 505(a) applies which consists of an offer described in such section which is not accepted, there is hereby imposed on the foundation manager or managers who authorize such transaction on behalf of the tax-exempt private foundation or organization, knowing that it is a transaction to which such section applies, a tax equal to the tax which would be imposed by subsection (a) if such offer had been accepted (or, if the tax which would be imposed by subsection (a) cannot be ascertained, a tax of \$5,000).*

#### **SEC. 4892. DEFINITIONS.**

*For purposes of this subchapter—*

(1) *IN GENERAL.*—*The terms “private foundation or organization”, “government official”, and “member of family” shall have the meanings assigned to them in section 505(c).*

(2) *TAX-EXEMPT PRIVATE FOUNDATION OR ORGANIZATION.*—*The term “tax-exempt private foundation or organization” means, with respect to any transaction, a private foundation or organization*



with respect to which, at the time of such transaction, the Secretary or his delegate has not published notice under section 505(e) that it has engaged in a transaction to which section 505(a) applies, and has not notified it that section 501(a) has ceased to apply to it by reason of any other provision of subtitle A.

(3) *FOUNDATION MANAGER*.—The term “foundation manager” means an individual serving as an officer, director, or trustee, or in any other supervisory position, of a tax-exempt private foundation or organization who, by reason of such position, has authority (either alone or with any other such individual or individuals) to determine the transactions in which such foundation or organization will engage and will not engage.

#### **SEC. 4893. SPECIAL RULES.**

##### **(a) SALES AND PURCHASES OF PROPERTY, ETC.—**

(1) *SALES TO PRIVATE FOUNDATIONS*.—In the case of money, property, services, or facilities received as consideration in a sale of property to, or exchange of property with, a tax-exempt private foundation or organization, the tax imposed by section 4891(a) shall apply only to an amount equal to the gain realized on such sale or exchange.

(2) *PURCHASES FROM PRIVATE FOUNDATIONS*.—In the case of property, services, or facilities received by purchase from a tax-exempt private foundation or organization, the tax imposed by section 4891(a) shall apply only to an amount equal to the amount by which the fair market value of the property, services, or facilities received exceeds the consideration paid therefor.

##### **(b) PERSON LIABLE FOR TAX.—**

(1) *GOVERNMENT OFFICIALS*.—The tax imposed by section 4891(a) shall be paid by the individual receiving the money, property, services, or facilities subject to tax, except that if such individual is a member of the family of a government official, such tax shall be paid by such government official.

(2) *FOUNDATION MANAGERS*.—The tax imposed by section 4891(b) shall be paid by the foundation manager or managers who authorize the transaction to which section 505(a) applies on behalf of the tax-exempt private foundation or organization. If more than one foundation manager is liable for the tax imposed by such section with respect to the same transaction, such foundation managers shall be jointly and severally liable for the tax so imposed.

(c) *REGULATIONS*.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this subchapter.

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## **CHAPTER 62—TIME AND PLACE FOR PAYING TAX**

SUBCHAPTER A. Place and due date for payment of tax.

SUBCHAPTER B. Extensions of time for payment.

### **Subchapter A—Place and Due Date for Payment of Tax**

Sec. 6151. Time and place for paying tax shown on returns.

Sec. 6152. Installment payments.

Sec. 6153. Installment payments of estimated income tax by individuals.

Sec. 6154. Installment payments of estimated income tax by corporations.

Sec. 6155. Payment on notice and demand.

Sec. 6156. Installment payments of tax on use of highway motor vehicles.

【Sec. 6157. Payment of taxes under provisions of the Tariff Act.】

Sec. 6157. *Payment of Federal unemployment tax on quarterly or other time period basis.*

\* \* \* \* \*

# **【SEC. 6157. PAYMENT OF TAXES UNDER PROVISIONS OF THE TARIFF ACT.**

【For collection under the provisions of the Tariff Act of 1930 of the taxes imposed by section 4501(b), and subchapters A, B, C, D, and E of chapter 38, see sections 4504 and 4601, respectively.】

## **SEC. 6157. PAYMENT OF FEDERAL UNEMPLOYMENT TAX ON QUARTERLY OR OTHER TIME PERIOD BASIS.**

(a) *GENERAL RULE.*—Every person who for the calendar year is an employer (as defined in section 3306(a)) shall—

(1) if the person in the preceding calendar year employed 4 or more employees in employment (within the meaning of section 3306(c) and (d)) on each of some 20 days during such preceding calendar year, each such day being in a different calendar week, compute the tax imposed by section 3301 for each of the first three calendar quarters in the calendar year, and

(2) if paragraph (1) does not apply, compute the tax imposed by section 3301—

(A) for the period beginning with the first day of the calendar year and ending with the last day of the calendar quarter (excluding the last calendar quarter) in which such person becomes such an employer, and

(B) for the third calendar quarter of such year, if the period specified in subparagraph (A) includes only the first two calendar quarters of the calendar year.

The tax for any calendar quarter or other period shall be computed as provided in subsection (b) and the tax as so computed shall, except as otherwise provided in subsections (c) and (d), be paid in such manner and at such time as may be provided in regulations prescribed by the Secretary or his delegate.

(b) *COMPUTATION OF TAX.*—The tax for any calendar quarter or other period referred to in paragraph (1) or (2) of subsection (a) shall be computed by multiplying the amount of wages (as defined in section 3306(b)) paid in such calendar quarter or other period by the number of percentage points (including fractional points) by which the rate of tax specified in section 3301 exceeds 2.7 percent.

(c) *SPECIAL RULES FOR CALENDAR YEARS 1970 AND 1971.*—For purposes of subsection (a), the tax computed as provided in subsection (b) for any calendar quarter or other period shall be reduced (1) by 66½ percent if such quarter or period is in 1970, and (2) by 33½ percent if such quarter or period is in 1971.

(d) *SPECIAL RULE WHERE ACCUMULATED AMOUNT DOES NOT EXCEED \$100.*—Nothing in this section shall require the payment of tax with respect to any calendar quarter or other period if the tax under section 3301 for such period, plus any unpaid amounts for prior periods in the calendar year, does not exceed \$100.



## CHAPTER 63—ASSESSMENT

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### SEC. 6201. ASSESSMENT AUTHORITY.

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[(b) **ESTIMATED INCOME TAX.**—No unpaid amount of estimated tax under section 6153 or 6154 shall be assessed.]

(b) *AMOUNT NOT TO BE ASSESSED.*—

(1) *ESTIMATED INCOME TAX.*—No unpaid amount of estimated tax under section 6153 or 6154 shall be assessed.

(2) *FEDERAL UNEMPLOYMENT TAX.*—No unpaid amount of Federal unemployment tax for any calendar quarter or other period of a calendar year, computed as provided in section 6157, shall be assessed.

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## CHAPTER 64—COLLECTION

\* \* \* \* \*

### Subchapter B—Receipt of Payment

- Sec. 6311. Payment by check or money order.
- Sec. 6312. Payment by United States notes and certificates of indebtedness.
- Sec. 6313. Fractional parts of a cent.
- Sec. 6314. Receipt for taxes.
- Sec. 6315. Payments of estimated income tax.
- Sec. 6316. Payment by foreign currency.
- Sec. 6317. *Payments of Federal unemployment tax for calendar quarter.*

\* \* \* \* \*

### SEC. 6317. PAYMENTS OF FEDERAL UNEMPLOYMENT TAX FOR CALENDAR QUARTER.

*Payment of Federal unemployment tax for a calendar quarter or other period within a calendar year pursuant to section 6157 shall be considered payment on account of the tax imposed by chapter 23 for such calendar year.*

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## CHAPTER 66—LIMITATIONS

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### SEC. 6513. TIME RETURN DEEMED FILED AND TAX CONSIDERED PAID.

(a) **EARLY RETURN OR ADVANCE PAYMENT OF TAX.**—For purposes of section 6511, any return filed before the last day prescribed for the filing thereof shall be considered as filed on such last day. For purposes of section 6511(b)(2) and (c) and section 6512, payment of any portion of the tax made before the last day prescribed for the payment of the tax shall be considered made on such last day. For purposes of this subsection, the last day prescribed for filing the return or paying the tax shall be determined without regard to any extension of time

granted the taxpayer and without regard to any election to pay the tax in installments.

\* \* \* \* \*

(e) *PAYMENTS OF FEDERAL UNEMPLOYMENT TAX.*—Notwithstanding subsection (a), for purposes of section 6511 any payment of tax imposed by chapter 23 which, pursuant to section 6157, is made for a calendar quarter or other period within a calendar year shall, if made before the last days prescribed for filing the return for the calendar year (determined without regard to any extension of time for filing), be considered made on such last day.

\* \* \* \* \*

## CHAPTER 67—INTEREST

\* \* \* \* \*

### SEC. 6601. INTEREST ON UNDERPAYMENT, NONPAYMENT, OR EXTENSIONS OF TIME FOR PAYMENT, OF TAX.

\* \* \* \* \*

(k) *EXCEPTION AS TO FEDERAL UNEMPLOYMENT TAX.*—This section shall not apply to any failure to make a payment of tax imposed by section 3301 for a calendar quarter or other period within a taxable year required under authority of section 6157.

#### [(k)] (l) NO INTEREST ON CERTAIN ADJUSTMENTS.—

For provisions prohibiting interest on certain adjustments in tax, see section 6205(a).

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## SOCIAL SECURITY ACT

\* \* \* \* \*

### Employment Security Administration Account

#### Establishment of Account

**Section 901.** (a) There is hereby established in the Unemployment Trust Fund an employment security administration account.

\* \* \* \* \*

#### Administrative Expenditures

(c)(1) There are hereby authorized to be made available for expenditure out of the employment security administration account for the fiscal year ending June 30, 1964, and for each fiscal year thereafter—

(A) such amounts (not in excess of the limit provided by paragraph (3)) as the Congress may deem appropriate for the purpose of—

(i) assisting the States in the administration of their unemployment compensation laws as provided in title III (including administration pursuant to agreements under any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended),

- (ii) the establishment and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U.S.C., secs. 49-49n), and
- (iii) carrying into effect section 2012 of title 38 of the United States Code:

(B) such amounts as the Congress may deem appropriate for the necessary expenses of the Department of Labor for the performance of its functions under—

- (i) this title and titles III and XII of this Act,
- (ii) the Federal Unemployment Tax Act,
- (iii) the provisions of the Act of June 6, 1933, as amended,
- (iv) subchapter II of chapter 41 (except section 2012) of title 38 of the United States Code, and
- (v) any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended.

The term "necessary expenses" as used in this subparagraph (B) shall include the expense of reimbursing a State for salaries and other expenses of employees of such State temporarily assigned or detailed to duty with the Department of Labor and of paying such employees for travel expenses, transportation of household goods, and per diem in lieu of subsistence while away from their regular duty stations in the State, at rates authorized by law for civilian employees of the Federal Government.

\* \* \* \* \*

[(3) For purposes of paragraph (1)(A), the limitation on the amount authorized to be made available for any fiscal year is—

[(A) in the case of the fiscal year ending June 30, 1964, an amount equal to 95 percent of the amount estimated by the Secretary of the Treasury as the net receipts during such fiscal year under the Federal Unemployment Tax Act, and

[(B) in the case of any fiscal year thereafter, an amount equal to 95 percent of the amount estimated and set forth in the Budget of the United States Government for such fiscal year as the net receipts during such year under the Federal Unemployment Tax Act.

Each estimate of net receipts under this paragraph shall be based on a tax rate of 0.4 percent. The Secretary of the Treasury shall report his estimate under subparagraph (A) to the Congress within 30 days after the date of the enactment of this paragraph. Such report shall be printed as a House document.]

*(3) For purposes of paragraph (1)(A), the limitation on the amount authorized to be made available for any fiscal year is an amount equal to 95 percent of the amount estimated and set forth in the budget of the United States Government for such fiscal year as the net receipts during such year under the Federal Unemployment Tax Act; except that this limitation is increased by any unexpended amount retained in the employment security administration account in accordance with section 901(f)(2)(B). Each estimate of net receipts under this paragraph shall be based upon a tax rate of 0.4 percent.*

\* \* \* \* \*



**Determination of Excess and Amount To Be Retained in Employment Security  
Administration Account**

(f)(1) The Secretary of the Treasury shall determine as of the close of each fiscal year (beginning with the fiscal year ending June 30, 1961) the excess in the employment security administration account.

(2) **[The]** (A) *Except as provided in subparagraph (B), the excess in the employment security administration account as of the close of any fiscal year is the amount by which the net balance in such account as of such time (after the application of section 902(b)) exceeds the net balance in the employment security administration account as of the beginning of that fiscal year (including the fiscal year for which the excess is being computed) for which the net balance was higher than as of the beginning of any other such fiscal year.*

(B) *With respect to the fiscal years ending June 30, 1970, June 30, 1971, and June 30, 1972, the balance in the employment security administration account at the close of each such fiscal year shall not be considered excess but shall be retained in the account for use as provided in paragraph (1) of subsection (c).*

\* \* \* \* \*









Calendar No. 272

91<sup>ST</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 9951

[Report No. 91-281]

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IN THE SENATE OF THE UNITED STATES

MAY 16, 1969

Read twice and referred to the Committee on Finance

JUNE 26, 1969

Reported by Mr. LONG, with an amendment

[Insert the part printed in italic]

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## AN ACT

To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

- 1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That section 3306 (a) of the Internal Revenue Code of 1954

1 (relating to definition of employer) is amended to read as  
2 follows:

3 “(a) EMPLOYER.—For purposes of this chapter, the  
4 term ‘employer’ does not include any person unless on each  
5 of some 20 days during the taxable year or during the  
6 preceding taxable year, each day being in a different calen-  
7 dar week, the total number of individuals who were em-  
8 ployed by him in employment for some portion of the day  
9 (whether or not at the same moment of time) was 4 or  
10 more.”

11 **SEC. 2. COLLECTION OF FEDERAL UNEMPLOYMENT TAX**  
12 **ON QUARTERLY OR OTHER TIME PERIOD BASIS.**

13 (a) QUARTERLY PAYMENT OF FEDERAL UNEMPLOY-  
14 MENT TAX.—Subchapter A of chapter 62 of the Internal  
15 Revenue Code of 1954 (relating to place and due date for  
16 payment of tax) is amended by striking out section 6157  
17 and by inserting in lieu thereof the following:

18 **“SEC. 6157. PAYMENT OF FEDERAL UNEMPLOYMENT TAX**  
19 **ON QUARTERLY OR OTHER TIME PERIOD**  
20 **BASIS.**

21 “(a) GENERAL RULE.—Every person who for the cal-  
22 endar year is an employer (as defined in section 3306 (a) )  
23 shall—

24 “(1) if the person in the preceding calendar year  
25 employed 4 or more employees in employment (within



the meaning of section 3306 (c) and (d) ) on each of some 20 days during such preceding calendar year, each such day being in a different calendar week, compute the tax imposed by section 3301 for each of the first three calendar quarters in the calendar year, and

“(2) if paragraph (1) does not apply, compute the tax imposed by section 3301—

“(A) for the period beginning with the first day of the calendar year and ending with the last day of the calendar quarter (excluding the last calendar quarter) in which such person becomes such an employer, and

“(B) for the third calendar quarter of such year, if the period specified in subparagraph (A) includes only the first two calendar quarters of the calendar year.

The tax for any calendar quarter or other period shall be computed as provided in subsection (b) and the tax as so computed shall, except as otherwise provided in subsections (c) and (d), be paid in such manner and at such time as may be provided in regulations prescribed by the Secretary or his delegate.

“(b) COMPUTATION OF TAX.—The tax for any calendar quarter or other period referred to in paragraph (1) or (2) of subsection (a) shall be computed by multiplying

1 the amount of wages (as defined in section 3306 (b) ) paid  
 2 in such calendar quarter or other period by the number of  
 3 percentage points (including fractional points) by which the  
 4 rate of tax specified in section 3301 exceeds 2.7 percent.

5 “(c) SPECIAL RULE FOR CALENDAR YEARS 1970 AND  
 6 1971.—For purposes of subsection (a) , the tax computed as  
 7 provided in subsection (b) for any calendar quarter or other  
 8 period shall be reduced (1) by  $66\frac{2}{3}$  percent if such quarter or  
 9 period is in 1970, and (2) by  $33\frac{1}{3}$  percent if such quarter or  
 10 period is in 1971.

11 “(d) SPECIAL RULE WHERE ACCUMULATED AMOUNT  
 12 DOES NOT EXCEED \$100.—Nothing in this section shall  
 13 require the payment of tax with respect to any calendar quar-  
 14 ter or other period if the tax under section 3301 for such  
 15 period, plus any unpaid amounts for prior periods in the  
 16 calendar year, does not exceed \$100.”

17 (b) ASSESSMENT AUTHORITY.—Section 6201 (b) of  
 18 such Code (relating to assessment authority) is amended to  
 19 read as follows:

20 “(b) AMOUNT NOT TO BE ASSESSED.—

21 “(1) ESTIMATED INCOME TAX.—No unpaid  
 22 amount of estimated tax under section 6153 or 6154  
 23 shall be assessed.

24 “(2) FEDERAL UNEMPLOYMENT TAX.—No unpaid  
 25 amount of Federal unemployment tax for any calendar

1 quarter or other period of a calendar year, computed as  
2 provided in section 6157, shall be assessed.”

3 (c) TREATMENT OF QUARTERLY PAYMENT OF FED-  
4 ERAL UNEMPLOYMENT TAX.—Subchapter B of chapter 64  
5 of such Code is amended by adding at the end thereof the  
6 following new section:

7 “SEC. 6317. PAYMENTS OF FEDERAL UNEMPLOYMENT TAX  
8 FOR CALENDAR QUARTER.

9 “Payment of Federal unemployment tax for a calendar  
10 quarter or other period within a calendar year pursuant to  
11 section 6157 shall be considered payment on account of the  
12 tax imposed by chapter 23 of such calendar year.”

13 (d) TIME TAX CONSIDERED PAID.—Section 6513 of  
14 such Code (relating to time return deemed filed and tax  
15 considered paid) is amended by adding at the end thereof  
16 the following new subsection:

17 “(e) PAYMENTS OF FEDERAL UNEMPLOYMENT  
18 TAX.—Notwithstanding subsection (a), for purposes of sec-  
19 tion 6511 any payment of tax imposed by chapter 23 which,  
20 pursuant to section 6157, is made for a calendar quarter or  
21 other period within a calendar year shall, if made before  
22 the last day prescribed for filing the return for the calendar  
23 year (determined without regard to any extension of time  
24 for filing), be considered made on such last day.”

25 (e) INTEREST ON UNDERPAYMENTS OR NONPAY-

1   MENT OF TAX.—Section 6601 of such Code (relating to  
2   interest on underpayment or nonpayment of tax) is  
3   amended by redesignating subsection (k) as subsection (l)  
4   and by adding a new subsection (k) to read as follows:

5       “(k) EXCEPTION AS TO FEDERAL UNEMPLOYMENT  
6   TAX.—This section shall not apply to any failure to make  
7   a payment of tax imposed by section 3301 for a calendar  
8   quarter or other period within a taxable year required under  
9   authority of section 6157.”

10       (f) TECHNICAL AND CLERICAL AMENDMENTS.—

11       (1) The table of sections for subchapter A of  
12   chapter 62 of the Internal Revenue Code of 1954 is  
13   amended by striking out

“Sec. 6157. Payment of taxes under provisions of the Tariff  
Act.”

14   and inserting in lieu thereof

“Sec. 6157. Payment of Federal unemployment tax on quar-  
terly or other time period basis.”

15       (2) The table of sections for subchapter B of  
16   chapter 64 of such Code is amended by adding at the  
17   end thereof the following:

“Sec. 6317. Payments of Federal unemployment tax for cal-  
endar quarter.”

18   **SEC. 3. EMPLOYMENT SECURITY ADMINISTRATION AC-**  
19   **COUNT.**

20       (a) Paragraph (3) of section 901 (c) of the Social  
21   Security Act is amended to read as follows:



1       “(3) For purposes of paragraph (1) (A), the limita-  
2       tion on the amount authorized to be made available for any  
3       fiscal year is an amount equal to 95 percent of the amount  
4       estimated and set forth in the budget of the United States  
5       Government for such fiscal year as the net receipts during  
6       such year under the Federal Unemployment Tax Act; except  
7       that this limitation is increased by any unexpended amount  
8       retained in the employment security administration account  
9       in accordance with section 901 (f) (2) (B). Each estimate of  
10      net receipts under this paragraph shall be based upon a tax  
11      rate of 0.4 percent.”

12      (b) Paragraph (2) of section 901 (f) of such Act is  
13      amended (1) by striking out “The” and inserting in lieu  
14      thereof “(A) Except as provided in subparagraph (B),  
15      the”, and (2) by adding at the end thereof the following:

16      “(B) With respect to the fiscal years ending June 30,  
17      1970, June 30, 1971, and June 30, 1972, the balance in the  
18      employment security administration account at the close of  
19      each such fiscal year shall not be considered excess but shall  
20      be retained in the account for use as provided in paragraph  
21      (1) of subsection (c).”

22      **SEC. 4. EFFECTIVE DATE.**

23      (a) The amendments made by the first two sections of  
24      this Act shall apply with respect to calendar years begin-  
25      ning after December 31, 1969.

1       (b) The amendments made by section 3 shall take effect  
2 upon enactment of this Act.

3   **SEC. 5. TRANSACTIONS BY PRIVATE FOUNDATIONS WITH**  
4               **GOVERNMENT OFFICIALS.**

5       (a) *DENIAL OF EXEMPTION.*—Part I of subchapter F  
6 of chapter 1 of the Internal Revenue Code of 1954 (relating  
7 to exempt organizations) is amended by adding at the end  
8 thereof the following new section:

9   **“SEC. 505. IMPROPER TRANSACTIONS BY PRIVATE FOUN-**  
10               **DATIONS WITH GOVERNMENT OFFICIALS.**

11       “(a) *DENIAL OF EXEMPTION.*—A private foundation  
12 or organization shall not be exempt from taxation under sec-  
13 tion 501(a) if such foundation or organization engages, di-  
14 rectly or indirectly, in any of the following transactions with  
15 an individual who is a government official or a member of the  
16 family of a government official:

17       “(1) Makes, or offers to make, any payment of money  
18 to any such individual.

19       “(2) Makes, or offers to make, any gift or contribution,  
20 in any form whatsoever, to or for the use of any such in-  
21 dividual, or makes, or offers to make, services or facilities  
22 available to any such individual.

23       “(3) Transfers or leases, or offers to transfer or lease,  
24 any property to any such individual, or purchases or leases,

1 or offers to purchase or lease, any property from any such  
2 individual.

3 “(4) Employs, or offers to employ, any such individual,  
4 or retains, or offers to retain, the personal services of any  
5 such individual (unless such employment or personal services  
6 are performed without payment of any compensation or fee  
7 whatsoever).

8 “(b) *EXCEPTIONS.*—Subsection (a) shall not apply  
9 to—

10 “(1) prizes or awards which are excluded from the  
11 gross income of the recipients under section 74, if the  
12 recipients of such prizes or awards are selected from the  
13 general public;

14 “(2) scholarships or fellowships which are excluded  
15 from the gross income of the recipients under section 117,  
16 if the recipients of such scholarships or fellowships are  
17 candidates for degrees at educational institutions (as  
18 defined in section 151(e)(4)) and are selected from the  
19 general public on a competitive basis or on a basis of  
20 need;

21 “(3) any annuity or other payment (A) by a trust  
22 (forming part of a stock-bonus, pension, or profit-sharing  
23 plan) which is a qualified trust under section 401, or

1        *(B) under a plan which meets the requirements of sec-*  
2        *tion 404(a)(2);*

3            “(4) any services or facilities made available to any  
4        *such individual on the same basis as they are made avail-*  
5        *able to the general public; or*

6            “(5) any contribution or gift (other than a con-  
7        *tribution or gift of money) to, or services or facilities*  
8        *made available to, any such individual, if the aggregate*  
9        *value of such contributions, gifts, services, or facilities*  
10       *to, or made available to, such individual during the*  
11       *calendar year does not exceed \$25.*

12        “(c) *DEFINITIONS.—For purposes of this section—*

13            “(1) *PRIVATE FOUNDATION OR ORGANIZATION.—*  
14        *The term ‘private foundation or organization’ means*  
15        *any organization described in section 501(c)(3) and*  
16        *exempt from taxation under section 501(a) which does*  
17        *not normally receive a substantial part of its support*  
18        *(exclusive of income received in the exercise or perform-*  
19        *ance by such organization of its charitable, educational,*  
20        *or other purpose or function which constitutes the basis*  
21        *for its exemption under section 501(a)) from either—*

22            “(A) *the United States, a State, or a possession*  
23        *of the United States, a political subdivision of a*  
24        *State or possession, or the District of Columbia, or*



1           “(B) direct or indirect contributions from the  
2           general public,  
3           except that such term does not include a church or a  
4           convention or association of churches, an educational  
5           organization referred to in section 503(b)(2), or a hos-  
6           pital referred to in section 503(b)(5).

7           “(2) *GOVERNMENT OFFICIAL*.—The term ‘govern-  
8           ment official’ means, with respect to a transaction de-  
9           scribed in subsection (a), an individual who, at the time  
10          of such transaction, holds any of the following offices or  
11          positions:

12           “(A) an elective public office in the executive  
13          or legislative branch of the Government of the  
14          United States;

15           “(B) an office in the executive, legislative, or  
16          judicial branch of the Government of the United  
17          States, appointment to which was made by the  
18          President;

19           “(C) a position in the executive, legislative, or  
20          judicial branch of the Government of the United  
21          States—

22           “(i) which is listed in schedule C of rule  
23          VI of the Civil Service Rules, or

1           “(ii) the compensation for which is equal  
2           to or greater than the lowest rate of compensa-  
3           tion prescribed for GS-16 of the General  
4           Schedule under section 5332 of title 5, United  
5           States Code;

6           “(D) a position under the House of Repre-  
7           sentatives or the Senate of the United States held by  
8           an individual receiving gross compensation at an  
9           annual rate of \$15,000 or more;

10           “(E) an elective public office in the executive or  
11           judicial branch of the government of a State or of the  
12           District of Columbia; and

13           “(F) an office in the executive or judicial  
14           branch of the government of a State or of the Dis-  
15           trict of Columbia, appointment to which (or election  
16           to which) was made by the Governor or legislature  
17           of the State, or by the Commissioner of the District  
18           of Columbia.

19           “(3) MEMBERS OF FAMILY.—The members of the  
20           family of an individual, with respect to a transaction  
21           described in subsection (a), are—

22           “(A) his spouse (other than a spouse who is  
23           legally separated from the individual under a decree  
24           of divorce or separate maintenance), and

25           “(B) the children (including legally adopted

children and stepchildren) of such individual who have not attained the age of 21.

“(d) CERTAIN INDIRECT TRANSACTIONS.—Subsection

(a) shall not apply to a transaction engaged in indirectly by a private foundation or organization with an individual if the transaction with such individual—

“(1) is engaged in directly by—

“(A) an organization (other than a private foundation or organization) which is described in section 501(c)(3) and is exempt from taxation under section 501(a), or

“(B) an organization which is an agency or instrumentality of (or owned or operated by) the United States, a State, a political subdivision of a State, or one or more States or political subdivisions, and

“(2) is not engaged in on behalf of, or at the request or direction of, the private foundation or organization, or with prior knowledge and approval by the private foundation or organization of the identity of such individual.

“(e) TAXABLE YEARS AFFECTED.—

“(1) IN GENERAL.—Except as provided in paragraph (2), a private foundation or organization shall be

1        *denied exemption from taxation under section 501(a) by*  
2        *reason of subsection (a) for all taxable years beginning*  
3        *with the taxable year during which it is notified by the*  
4        *Secretary or his delegate that it has engaged in a transac-*  
5        *tion to which subsection (a) applies. The Secretary or his*  
6        *delegate shall publish such notice in the Federal Register*  
7        *on the day on which he so notifies such private foundation*  
8        *or organization.*

9        “(2) *FUTURE STATUS.*—Under regulations pre-  
10        *scribed by the Secretary or his delegate, any private*  
11        *foundation or organization which is denied exemption*  
12        *from taxation under section 501(a) by reason of sub-*  
13        *section (a) may, with respect to the second taxable year*  
14        *following the taxable year in which notice is given under*  
15        *paragraph (1) (or any taxable year thereafter), file*  
16        *claim for exemption from taxation under section 501(a).*  
17        *If the Secretary or his delegate is satisfied that such pri-*  
18        *ivate foundation or organization will not knowingly again*  
19        *engage in a transaction to which subsection (a) applies,*  
20        *such private foundation or organization shall not, with*  
21        *respect to taxable years beginning with the taxable year*  
22        *with respect to which such claim is filed, be denied exemp-*  
23        *tion from taxation under section 501(a) by reason of*  
24        *any transaction to which subsection (a) applies engaged*



in before the date on which such notice was given under paragraph (1).

“(f) *DISALLOWANCE OF CHARITABLE DEDUCTIONS*.—No gift, contribution, bequest, devise, legacy, or transfer, otherwise allowable as a deduction under section 170, 545(b)(2), 642(c), 2055, 2106(a)(2), or 2522, shall be allowed as a deduction if made—

“(1) to a private foundation or organization after the date on which the Secretary or his delegate publishes notice under subsection (e)(1) that he has notified such foundation or organization that it has engaged in a transaction to which subsection (a) applies, and

“(2) in a taxable year of such private foundation or organization for which it is not exempt from taxation under section 501(a) by reason of subsection (a).”

(b) *CLERICAL AMENDMENT*.—The table of sections for such part I is amended by adding at the end thereof the following new item:

“Sec. 505. *Improper transactions by private foundations with government officials.*”

(c) *EFFECTIVE DATE*.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act, but only with respect to transactions occurring after such date.

1 **SEC. 6. TAXATION OF AMOUNTS RECEIVED BY GOVERN-**  
 2 **MENT OFFICIALS FROM TAX-EXEMPT PRIVATE**  
 3 **FOUNDATIONS.**

4 *(a) IMPOSITION OF EXCISE TAX.—*

5 *(1) IN GENERAL.—Chapter 39 of the Internal Reve-*  
 6 *nue Code of 1954 (relating to regulatory taxes) is*  
 7 *amended by adding at the end thereof the following new*  
 8 *subchapter:*

9 **“Subchapter F—Transactions by Government Offi-**  
 10 **cial With Tax-Exempt Private Foundations**

*“Sec. 4891. Taxes imposed.*

*“Sec. 4892. Definitions.*

*“Sec. 4893. Special rules.*

11 **“SEC. 4891. TAXES IMPOSED.**

12 *“(a) GOVERNMENT OFFICIALS.—There is hereby im-*  
 13 *posed on the receipt by a government official or a member of*  
 14 *his family of—*

15 *“(1) any money from a tax-exempt private founda-*  
 16 *tion or organization in a transaction to which section*  
 17 *505(a) applies, or*

18 *“(2) any property (other than money) from, or*  
 19 *services or facilities furnished by, a tax-exempt private*  
 20 *foundation or organization in a transaction to which*  
 21 *section 505(a) applies,*

22 *a tax equal to 100 percent of the amount of money, or the*

1 fair market value of the property, services, or facilities, so  
2 received.

3 “(b) *FOUNDATION MANAGERS.*—In any case in which  
4 a tax is imposed under subsection (a) with respect to a trans-  
5 action to which section 505(a) applies, there is hereby im-  
6 posed on the foundation manager or managers who authorize  
7 such transaction on behalf of the tax-exempt private founda-  
8 tion or organization, knowing that it is a transaction to which  
9 such section applies, a tax equal to the tax imposed by  
10 subsection (a). In the case of a transaction to which section  
11 505(a) applies which consists of an offer described in such  
12 section which is not accepted, there is hereby imposed on the  
13 foundation manager or managers who authorize such trans-  
14 action on behalf of the tax-exempt private foundation or  
15 organization, knowing that it is a transaction to which  
16 such section applies, a tax equal to the tax which would be  
17 imposed by subsection (a) if such offer had been accepted  
18 (or, if the tax which would be imposed by subsection (a)  
19 cannot be ascertained, a tax of \$5,000).

20 “SEC. 4892. *DEFINITIONS.*

21 “For purposes of this subchapter—

22 “(1) *IN GENERAL.*—The terms ‘private foundation  
23 or organization’, ‘government official’, and ‘member of

1     *family' shall have the meanings assigned to them in*  
 2     *section 505(c).*

3             “(2) *TAX-EXEMPT PRIVATE FOUNDATION OR OR-*  
 4     *GANIZATION.—The term ‘tax-exempt private foundation*  
 5     *or organization’ means, with respect to any transaction,*  
 6     *a private foundation or organization with respect to*  
 7     *which, at the time of such transaction, the Secretary or*  
 8     *his delegate has not published notice under section 505(e)*  
 9     *that it has engaged in a transaction to which section*  
 10    *505(a) applies, and has not notified it that section*  
 11    *501(a) has ceased to apply to it by reason of any other*  
 12    *provision of subtitle A.*

13            “(3) *FOUNDATION MANAGER.—The term ‘founda-*  
 14    *tion manager’ means an individual serving as an officer,*  
 15    *director, or trustee, or in any other supervisory position,*  
 16    *of a tax-exempt private foundation or organization*  
 17    *who, by reason of such position, has authority (either*  
 18    *alone or with any other such individual or individuals)*  
 19    *to determine the transactions in which such foundation*  
 20    *or organization will engage and will not engage.*

21    “**SEC. 4893. SPECIAL RULES.**

22            “(a) *SALES AND PURCHASES OF PROPERTY, ETC.—*

23            “(1) *SALES TO PRIVATE FOUNDATIONS.—In the*  
 24    *case of money, property, services, or facilities received as*  
 25    *consideration in a sale of property to, or exchange of*



1     *property with, a tax-exempt private foundation or orga-*  
2     *nization, the tax imposed by section 4891(a) shall apply*  
3     *only to an amount equal to the gain realized on such sale*  
4     *or exchange.*

5           “(2) *PURCHASES FROM PRIVATE FOUNDA-*  
6     *TIONS.—In the case of property, services, or facilities*  
7     *received by purchase from a tax-exempt private founda-*  
8     *tion or organization, the tax imposed by section 4891(a)*  
9     *shall apply only to an amount equal to the amount by*  
10    *which the fair market value of the property, services, or*  
11    *facilities received exceeds the consideration paid therefor.*

12    “(b) *PERSON LIABLE FOR TAX.—*

13           “(1) *GOVERNMENT OFFICIALS.—The tax imposed*  
14    *by section 4891(a) shall be paid by the individual receiv-*  
15    *ing the money, property, services, or facilities subject to*  
16    *tax, except that if such individual is a member of the*  
17    *family of a government official, such tax shall be paid*  
18    *by such government official.*

19           “(2) *FOUNDATION MANAGERS.—The tax imposed*  
20    *by section 4891(b) shall be paid by the foundation man-*  
21    *ager or managers who authorize the transaction to which*  
22    *section 505(a) applies on behalf of the tax-exempt pri-*  
23    *vate foundation or organization. If more than one foun-*  
24    *dation manager is liable for the tax imposed by such sec-*  
25    *tion with respect to the same transaction, such founda-*

1        *tion managers shall be jointly and severally liable for the*  
 2        *tax so imposed.*

3        “(c) *REGULATIONS.*—*The Secretary or his delegate*  
 4        *shall prescribe such regulations as may be necessary to carry*  
 5        *out the purposes of this subchapter.”*

6                (2) *CLERICAL AMENDMENT.*—*The table of sub-*  
 7        *chapters for such chapter 39 is amended by adding at*  
 8        *the end thereof the following new item:*

*“Subchapter F—Transactions by government officials with tax-exempt  
private foundations.”*

9        (b) *EXCLUSION FROM GROSS INCOME.*—

10                (1) *IN GENERAL.*—*Part III of subchapter B of*  
 11        *chapter 1 of the Internal Revenue Code of 1954 (relat-*  
 12        *ing to items specifically excluded from gross income) is*  
 13        *amended by renumbering section 123 as 124, and by in-*  
 14        *serting after section 122 the following new section:*

15        “*SEC. 123. AMOUNTS RECEIVED BY GOVERNMENT OFFI-*  
 16                        *CIALS SUBJECT TO EXCISE TAX.*

17                “*Gross income does not include any money or the value*  
 18        *of any property, services, or facilities received by a govern-*  
 19        *ment official or a member of his family on the receipt of which*  
 20        *a tax is imposed by section 4891(a).”*

21                (2) *CLERICAL AMENDMENT.*—*The table of sections*

1       for such part III is amended by striking out the last  
2       item and inserting in lieu thereof the following:

      “Sec. 123. Amounts received by government officials subject  
          to excise tax.

      “Sec. 124. Cross references to other Acts.”

3       (c) *EFFECTIVE DATE.*—The amendment made by sub-  
4       section (a) shall apply with respect to money, property,  
5       services, and facilities received after the date of the enact-  
6       ment of this Act. The amendment made by subsection (b)  
7       shall apply to taxable years ending after the date of the enact-  
8       ment of this Act, but only with respect to money, property,  
9       services, and facilities received after such date.

      Passed the House of Representatives May 13, 1969.

Attest:

W. PAT JENNINGS,

*Clerk.*

91ST CONGRESS  
1ST SESSION

# H. R. 9951

[Report No. 91-281]

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## AN ACT

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To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer dependent on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

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MAY 16, 1969

Read twice and referred to the Committee on Finance

JUNE 26, 1969

Reported with an amendment







SENATE

0. TAXATION. Began debate on H. R. 9951, providing for collection of the Federal unemployment tax in quarterly installments during each taxable year (pp. ~~S881-5~~, S8844-5). Pending at adjournment was an amendment by Sen. Long, La., to continue the 10-percent surtax through Dec. 31, 1969 (p. S8847).

Received the House-passed bill, H. R. 13080, to continue for an additional 15 days, the existing rates of income tax withheld. After the second reading objection to further proceedings was heard and the bill was placed on the calendar. pp. S8831-6

Sen. Packwood discussed the effect of the surtax on Oreg. which is "heavily dependent upon the lumber industry, and...upon the homebuilding industry." pp. S8792-3

Sen. Young, Ohio, stated that "we must not extend...tax on tax unless it is accompanied by wide-ranging and real tax reform.:" pp. S8795-6

1. ELECTRIFICATION. Passed without amendments S. 2678, to amend the Flood Control Act of 1962 to provide for optimum development at Tocks Island Dam and Reservoir project. pp. S8786-92
2. PPB. Received from GAO a report on a survey of progress in implementing the planning-programing-budgeting system in executive agencies. p. S8798
3. NATURAL RESOURCES. Sen. Jackson inserted an article describing the donation of a \$6 million stand of prime redwood timber to the Nature Conservancy. pp. S8815-6
4. PESTICIDES. Sen. Nelson inserted an editorial on the apparent effect of persistent pesticides on the ecological balance within our environment. pp. S8818-9
5. TRAILS. Sen. Jackson inserted a press release, "Land and Water Trails Easy Way to Explore America." pp. S8819-20
6. CHEMICAL WARFARE. Sen. Hartke submitted a resolution relating to Geneva Protocol of 1925 banning the first-use of gas and bacteriological warfare. pp. S8839-41

EXTENSION OF REMARKS

7. ELECTRIFICATION. Rep. Hathaway defended the Dickey-Lincoln hydroelectric project against "unwarranted attack." p. E6447
8. WELFARE; FOOD STAMPS. Rep. Rarick stated that "Failure to give free food stamps does not create malnutrition--because malnutrition is found in all walks of life..." and that "The so-called 'Federal aid' which is the backbone of the welfare, relief, or public assistance program is a pure and simple shameless political robbery." pp. E6453-4
9. OPINION POLL. Rep. Eshleman inserted the results of a questionnaire, including items of interest to this Department. pp. E6455-6

20. INFLATION; EXPENDITURES. Rep. Wyatt stated that "The key to the battle against inflation should be reduction of Federal Government spending", and inserted an article, "Making the Dollar: Credit Squeeze Felt by Lumber Industry." pp. E6467-8

BILLS INTRODUCED

21. PERSONNEL. H. R. 13199 by Rep. Kyros, to implement the Federal employee pay comparability system, to establish a Federal Employee Salary Commission and a Board of Arbitration; to Post Office and Civil Service Committee.  
H. R. 13211 by Rep. Button, to permit officers and employees of the Federal Government to elect coverage under the old-age, survivors, and disability insurance system; to Ways and Means Committee.
22. FARM PROGRAM. H. R. 13193 by Rep. Goodling, to amend the Agricultural Adjustment Act of 1933, as amended, and reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, to provide for payment by handler assessments of the administrative costs of the Department of Agriculture; to Agriculture Committee.
23. EMPLOYMENT. H. R. 13206 by Rep. Stuckey, to provide incentives for the establishment of new or expanded job-producing industrial and commercial establishments in rural areas; to Ways and Means Committee.
24. URBAN AFFAIRS. H. R. 13217 by Rep. Dwyer, to provide for the balanced urban development and growth of the United States; to Government Operations Committee.

PRINTED HEARINGS RECEIVED BY THIS OFFICE

25. FOREIGN AID. Linking reserve creation and development assistance. Jt. Economic Committee.  
H. R. 11792, proposed Foreign Assistance Act of 1969. Part 1. H. Foreign Affairs.
26. SAFETY; HEALTH. H. R. 3290, to promote health and safety in the building trades and construction industry. H. Education and Labor Committee.  
H. R. 10987, 7621, and 7509 proposed National Commission on Product Safety Extension and Child Protection Act. H. Interstate and Foreign Commerce Committee
27. PURCHASING. H. R. 474, Government procurement and contracting. Part 6. H. Gov't Operations Committee.
28. HOUSING. National housing goals. H. Banking and Currency Committee.
29. AGING. S. 268, 2120, and H. R. 11235, amending the Older Americans Act of 1965. S. Labor and Public Welfare Committee.
30. VETERANS' BENEFITS. H. R. 10290, 11872, 11873, 11925, 11959, and 12335, to increase veterans' educational assistance allowances. H. Veterans' Affairs Committee.



Calendar No. 272

91ST CONGRESS  
1ST SESSION

# H. R. 9951

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IN THE SENATE OF THE UNITED STATES

JULY 30, 1969

Ordered to be printed

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## AMENDMENT

Proposed by Mr. LONG to H.R. 9951, an Act to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes; viz: At the end of the Act add the following new sections:

1 **SEC. 5. EXTENSION OF TAX SURCHARGE.**

2 (a) **SURCHARGE EXTENSION.**—Section 51 (a) of the  
3 Internal Revenue Code of 1954 (relating to imposition of  
4 tax surcharge) is amended—

- 1 (1) by striking out so much of paragraph (1) (A)  
 2 as follows the table heading "CALENDAR YEAR  
 3 1969" and inserting in lieu thereof the following:

"TABLE 1.—SINGLE PERSON (OTHER THAN HEAD OF HOUSEHOLD) AND MARRIED PERSONS FILING SEPARATE RETURN

If the adjusted tax is:			If the adjusted tax is:			If the adjusted tax is:		
At least	But less than	The tax is—	At least	But less than	The tax is—	At least	But less than	The tax is—
0	\$148	0	\$273	\$278	\$26	\$515	\$525	\$52
\$148	153	\$1	278	283	27	525	535	53
153	158	2	283	288	28	535	545	54
158	163	3	288	295	29	545	555	55
163	168	4	295	305	30	555	565	56
168	173	5	305	315	31	565	575	57
173	178	6	315	325	32	575	585	58
178	183	7	325	335	33	585	595	59
183	188	8	335	345	34	595	605	60
188	193	9	345	355	35	605	615	61
193	198	10	355	365	36	615	625	62
198	203	11	365	375	37	625	635	63
203	208	12	375	385	38	635	645	64
208	213	13	385	395	39	645	655	65
213	218	14	395	405	40	655	665	66
218	223	15	405	415	41	665	675	67
223	228	16	415	425	42	675	685	68
228	233	17	425	435	43	685	695	69
233	238	18	435	445	44	695	705	70
238	243	19	445	455	45	705	715	71
243	248	20	455	465	46	715	725	72
248	253	21	465	475	47	725	735	73
253	258	22	475	485	48	735 and over, 10% of the adjusted tax		
258	263	23	485	495	49			
263	268	24	495	505	50			
268	273	25	505	515	51			

TABLE 2.—HEAD OF HOUSEHOLD

If the adjusted tax is:			If the adjusted tax is:			If the adjusted tax is:		
At least	But less than	The tax is—	At least	But less than	The tax is—	At least	But less than	The tax is—
0	\$223	0	\$343	\$348	\$25	\$495	\$505	\$50
\$223	228	\$1	348	353	26	505	515	51
228	233	2	353	358	27	515	525	52
233	238	3	358	363	28	525	535	53
238	243	4	363	368	29	535	545	54
243	248	5	368	373	30	545	555	55
248	253	6	373	378	31	555	565	56
253	258	7	378	383	32	565	575	57
258	263	8	383	388	33	575	585	58
263	268	9	388	393	34	585	595	59
268	273	10	393	398	35	595	605	60
273	278	11	398	403	36	605	615	61
278	283	12	403	408	37	615	625	62
283	288	13	408	413	38	625	635	63
288	293	14	413	418	39	635	645	64
293	298	15	418	423	40	645	655	65
298	303	16	423	428	41	655	665	66
303	308	17	428	433	42	665	675	67
308	313	18	433	438	43	675	685	68
313	318	19	438	445	44	685	695	69
318	323	20	445	455	45	695	705	70
323	328	21	455	465	46	705	715	71
328	333	22	465	475	47	715	725	72
333	338	23	475	485	48	725	735	73
338	343	24	485	495	49	735 and over, 10% of the adjusted tax		

TABLE 3.—MARRIED PERSONS OR SURVIVING SPOUSE FILING JOINT RETURN

If the adjusted tax is:			If the adjusted tax is:			If the adjusted tax is:		
At least	But less than	The tax is—	At least	But less than	The tax is—	At least	But less than	The tax is—
0	\$293	0	\$418	\$423	\$26	\$548	\$553	\$52
\$293	298	\$1	423	428	27	553	558	53
298	303	2	428	433	28	558	563	54
303	308	3	433	438	29	563	568	55
308	313	4	438	443	30	568	573	56
313	318	5	443	448	31	573	578	57
318	323	6	448	453	32	578	585	58
323	328	7	453	458	33	585	595	59
328	333	8	458	463	34	595	605	60
333	338	9	463	468	35	605	615	61
338	343	10	468	473	36	615	625	62
343	348	11	473	478	37	625	635	63
348	353	12	478	483	38	635	645	64
353	358	13	483	488	39	645	655	65
358	363	14	488	493	40	655	665	66
363	368	15	493	498	41	665	675	67
368	373	16	498	503	42	675	685	68
373	378	17	503	508	43	685	695	69
378	383	18	508	513	44	695	705	70
383	388	19	513	518	45	705	715	71
388	393	20	518	523	46	715	725	72
393	398	21	523	528	47	725	735	73
398	403	22	528	533	48	735 and over, 10% of the adjusted tax		
403	408	23	533	538	49			
408	413	24	538	543	50			
413	418	25	543	548	51			

1                   (2) by striking out the table in paragraph (1) (B)  
2                   and inserting in lieu thereof the following table:

"Calendar year	Percent	
	Estates and trusts	Corporations
1968.....	7.5	10.0
1969.....	10.0	10.0".

3                   and

4                   (3) by striking out "July 1, 1969" each place  
5                   it appears in paragraph (2) (A) and inserting in lieu  
6                   thereof "January 1, 1970"

7                   (b) RECEIPT OF MINIMUM DISTRIBUTIONS.—The last  
8                   sentence of section 963 (b) of such Code (relating to receipt

1 of minimum distributions by domestic corporations is  
2 amended by striking out “June 30, 1969” and inserting  
3 in lieu thereof “December 31, 1969”.

4 (c) EFFECTIVE DATES.—

5 (1) IN GENERAL.—The amendments made by sub-  
6 sections (a) and (b) shall apply to taxable years end-  
7 ing after June 30, 1969, and beginning before January 1,  
8 1970.

9 (2) DECLARATIONS OF ESTIMATED TAX.—If any  
10 taxpayer is required to make a declaration or amended  
11 declaration of estimated tax, or to pay any amount or  
12 additional amount of estimated tax, by reason of the  
13 amendments made by this section, such amount or  
14 additional amount shall be paid ratably on or before each  
15 of the remaining installment dates for the taxable year  
16 beginning with the first installment date on or after the  
17 30th day after the date of enactment of this Act. With  
18 respect to any declaration or payment of estimated tax  
19 before such first installment date, sections 6015, 6154,  
20 6654, and 6655 of the Internal Revenue Code of 1954  
21 shall be applied without regard to the amendments made  
22 by this section. For purposes of this paragraph, the  
23 term “installment date” means any date on which,  
24 under section 6153 or 6154 of such Code (whichever is



applicable), an installment payment of estimated tax is required to be made by the taxpayer.

**SEC. 6. EXTENSION OF WITHHOLDING TAX.**

(a) Section 3402 of the Internal Revenue Code of 1954 (relating to income tax collected at source) is amended—

(1) by striking out “July 31, 1969” in subsection (a) (1) and inserting in lieu thereof “December 31, 1969”;

(2) by striking out “August 1, 1969” in subsection (a) (2) and inserting in lieu thereof “January 1, 1970”; and

(3) by striking out “August 1, 1969” in subsection (c) (6) and inserting in lieu thereof “January 1, 1970”.

(b) The amendments made by this section shall apply with respect to wages paid after July 31, 1969, and before January 1, 1970.

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## AMENDMENT

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Proposed by Mr. Long to H.R. 9951, an Act to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

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JULY 30, 1969

Ordered to be printed



to the commitments which have been made, which I intend to uphold to the letter.

Mr. LONG. It is my hope that we can dispose of the investment tax credit matter prior to the major tax reform bill. It is a very important item. I think it is a reform which should be considered in and of itself, and I shall be glad to discuss it with the Senator from Delaware at any time. I hope that it will not have to wait until after October 31.

Mr. MANSFIELD. Oh, no; the Committee on Finance will report a tax reform bill before October 31, so I think what the Senator is now suggesting can be worked out. I merely want my position to be made clear. That position will be adhered to, and I think it will fit in with what the Senator from Louisiana has said.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. JAVITS. The Senator said he will present a unanimous-consent request at the appropriate time.

Mr. MANSFIELD. Yes.

Mr. JAVITS. Will that be tonight?

Mr. MANSFIELD. Yes.

Mr. JAVITS. I should like to lock in the reporting of a tax reform bill by October 31 as a part of the reason why I, and perhaps other Senators later, will not object to the unanimous-consent agreement.

Mr. MANSFIELD. Mr. President I appreciate what the Senator has said. However, if there is even one objection, that is it.

Mr. JAVITS. I understand that. We have all agreed on that. We will carry it out. We have to carry it out here within a given frame of reference.

Mr. MANSFIELD. The Senator is correct.

Mr. JAVITS. When an admission is made against interest, it is a lot more binding than one made in general conversation.

I have one other question to ask the Senator. It relates to the investment tax credit. The Democratic Policy Committee refers to the fact that it will have an ex post facto application. In other words, it will refer back to April 18, 1969.

Mr. MANSFIELD. Exactly.

Mr. JAVITS. Again, that had better be made extremely clear in all the give and take which now takes place so that the world may be warned about that date. That is the tradition in the tax business, even if one is not prepared to give warning, that that warning concerns a very important decision for businessmen.

I hope again that when the proper time comes, it will be made very clear by the majority leader, the minority leader, the chairman of the Finance Committee, and the ranking minority member that there is no departure from that respecting the whole economic community.

Mr. MANSFIELD. Mr. President, I have the definite assurance of the chairman of the Finance Committee and the ranking minority member of the Finance Committee and of the majority of the Finance Committee that that will be the case and that that date—April 18, 1969—

will be adhered to. So, at least in that area there ought to be some stability in the business community.

Mr. WILLIAMS of Delaware. Mr. President, the Senator will have a chance to offer amendments dealing with either of these two subjects.

Mr. JAVITS. The Senator is correct. If anyone has any alternate plan, he may offer that as a substitute in the proper parliamentary manner to the amendment.

Mr. MANSFIELD. The Senator is correct.

Mr. JAVITS. Of course, a lot of amendments cannot be offered.

Mr. LONG. Mr. President, the point I would like to make clear is that it would be my hope that the Senate tomorrow would not agree to any immediate repeal of the investment tax credit for the reason that the committee has some work to be done on the matter. The Senate might want to look at the matter and understand the House bill and see whether it thinks we are right or whether the House is right.

We would be ready to report on that matter within a week.

Mr. MANSFIELD. No. We have to consider the three together. We have to consider the excises and the low-income groups. And I hope that we can get together. I think that we can if my beloved friend, the Senator from Louisiana, will keep in mind what we agreed to when the two committees met.

Mr. LONG. I thought I understood what we agreed to. It is not in writing, but I will be glad to discuss the matter with the majority leader.

I hope that we can dispose of the investment tax credit without waiting until we have a comprehensive overall tax reform bill.

Mr. MANSFIELD. Mr. President, the Senator mentioned the date of October 31. That looks to me like a reasonable date to arrive at a constructive agreement in that matter.

Mr. STENNIS. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. STENNIS. Mr. President, so that all may know and also so that it may be on RECORD and the press will know, as I understand the unanimous-consent request—and I will agree to it as I understand it, of course—it will be that the pending business will be temporarily set aside for the disposition of this matter. When this matter is disposed of, then the measure that has been temporarily set aside will become the pending business again.

Mr. MANSFIELD. As some comedian said, "Indubitably."

Mr. STENNIS. Mr. President, we may get to a vote early next week. Does the majority leader contemplate finishing the tax matter tomorrow?

Mr. MANSFIELD. I say to the distinguished Senator from Mississippi, "If it ain't finished by midnight tomorrow, that's it."

Mr. McCLELLAN. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. McCLELLAN. Mr. President, the Senator is not going to call up H.R.

12290. He is going to call up another bill.

Mr. MANSFIELD. The Senator is correct.

The ACTING PRESIDENT pro tempore. Will the Senator suspend until we have order?

The Senator may proceed.

Mr. McCLELLAN. Mr. President, the Senator will call up another bill, and to that bill he will offer an amendment which would simply extend the present income tax surcharge until December 31.

Mr. MANSFIELD. The Senator is correct.

Mr. McCLELLAN. Having done that, we anticipate that a reform tax bill will come from the House.

Mr. MANSFIELD. The Senator is correct.

Mr. McCLELLAN. That will be some time later, of course. I do not know if the majority leader knows when that will be. With respect to those other provisions of H.R. 12290, which involve the continuation of the excise taxes on automobiles and communications services for temporary periods, to terminate the investment credit, to provide a low-income allowance for individuals, and for other purposes. Do I understand that after this surtax bill has been passed, or the amendment which will be offered to the other bill, at some appropriate time the Senator will call up H.R. 12290 to give the Senate an opportunity to consider the other provisions which will not be considered under the unanimous consent agreement at this time?

Mr. MANSFIELD. The Senator is correct.

Mr. McCLELLAN. That means that the Senate will act on three separate tax bills.

Mr. MANSFIELD. The Senator is correct.

Mr. McCLELLAN. When is it proposed that the other two, if we act on this measure and dispose of the surtax as now suggested, will be acted on? What do we mean by "at some appropriate time"? What is within that time contemplation?

Mr. MANSFIELD. I would say somewhere in the vicinity of October 31, not later than that.

Mr. McCLELLAN. In other words, we hope to get to the other provisions of H.R. 12290 not later than October 31.

Mr. MANSFIELD. The Senator is correct, and very likely before then because of the enthusiasm in the Finance Committee for tax reform.

Mr. McCLELLAN. Mr. President, I was trying to ascertain whether the Senator would wait until the tax reform bill comes over and then use it as a vehicle for the other provisions of H.R. 12290.

Mr. MANSFIELD. That is something which would be under consideration, but my initial reaction is that we will consider them both separately.

Mr. McCLELLAN. That is what I wanted to find out. So we can expect to consider three separate tax bills before the adjournment of this session of Congress.

Mr. MANSFIELD. The Senator is correct. All of the provisions of the three separate bills will be considered before



the adjournment of this session of the Congress.

Mr. McCLELLAN. I thank the Senator.

Mr. MANSFIELD. Mr. President, if I may read the agreement contained in the RECORD of Friday, July 25, it is the genesis of the understanding which hopefully will soon be arrived at:

The Democratic Policy Committee and the Democratic members of the Finance Committee have agreed upon the following understanding: (1) Support an extension of the surtax until November 30, 1969.

I would interpolate there and change that date as of now to December 31, 1969.

I continue to read:

This will be accomplished by attaching this temporary extension to a separate House-passed bill. The House-passed surtax extension containing the investment credit repeal, the extension of the excise taxes, and the change of the standard deduction will remain on the Senate Calendar until the tax reform bill is reported by the Senate Finance Committee.

2. The chairman of the Finance Committee and the Democratic members of that committee have given their assurance that the tax reform package will be reported to the full Senate not later than October 31, 1969.

3. The Democratic Policy Committee has endorsed the position of the Finance Committee that the date of the investment tax credit repeal—

I would call this to the attention of the Senator from New York.

will be identical to that date in the House-passed bill (April 18, 1969). The endorsement was at the specific request of the Democratic Finance Committee members to assure all that the investment credit repeal is endorsed and the date is specified as contained in the bill on the Senate Calendar.

Pursuit of this understanding in the Senate is contingent upon its acceptance by the Administration and the Republican leadership which has been pressing in the Finance Committee and on the Senate floor for the extension of the surtax. May I say that many of the Members present today went along with this understanding notwithstanding grave reservations about the usefulness of the continuance of the surtax as an antiinflationary measure. The approach is offered as an accommodation to the Administration.

And this undercurrent of feeling still exists on this side of the aisle.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. I think there may be some misunderstanding. I realize that that was the earlier proposal, but it is my understanding that what we are agreeing on today is that we will make H.R. 9951 the pending business. That will be made the pending business, following which I shall ask for the removal of sections 5 and 6, which embrace the foundation amendments.

Mr. MANSFIELD. That is correct.

Mr. WILLIAMS of Delaware. And that would leave it a clean bill, dealing only with the acceleration of the payment of withholding taxes. From that point on, under this agreement, as I understand what has been agreed upon, any amendment dealing with the questions of the extension of the surtax, at what rates, and for what period, will be in order,

and also an amendment to repeal the 7-percent investment credit along the lines of the House bill or as modified will likewise be in order under this agreement.

On this bill amendments dealing with those two subjects—that is, the question of the extension of the surcharge, at what rates, and for what period and the question of whether we do or do not repeal the investment credit and, if so, at what date and what exemption there may be—all these would be eligible items to be voted on under this agreement.

Mr. MANSFIELD. Yes. All I was doing was restating the unanimous agreement on this side of the aisle, so that the RECORD would be clear as to the position of the Senator from Montana.

Mr. WILLIAMS of Delaware. I understand that, but some Members on this side just want to be sure that the record is clear and that they will not be precluded from the chance of voting on both these proposals.

Mr. MANSFIELD. No. But that is an understanding that I hope would be given recognition. The only substantive change is the change of date from November 30, 1969, to December 31, 1969.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. CURTIS. This unanimous-consent proposal calls for 1 hour of consideration on each amendment. Is that correct?

Mr. MANSFIELD. Yes.

Mr. CURTIS. Does that apply to an amendment to an amendment?

Mr. MANSFIELD. Yes.

Mr. President, do any of my colleagues have any comment to make as to what I should have said or what I did say that I should not have said?

Mr. LONG. Mr. President, if I might interject one point, I understand what the majority leader has said. I think I made the motion or part of the motion to which we agreed, and it was my hope that we would move to repeal the investment tax credit long before October 31. But I will seek to discuss that matter with the majority leader later.

It is my thought that as soon as the Committee on Finance could recommend what the committee thinks should be done, and as soon as the majority leader could schedule it, we would offer the Senate a chance to vote on the investment tax credit. I hope that will be long before we complete action on what the House is working on.

Mr. MANSFIELD. It could be, but it would not be any later than October 31.

Mr. WILLIAMS of Delaware. It could be that it would be repealed tomorrow, too.

Mr. MANSFIELD. Oh, no. I hope the Senator is not overestimating the appeal of his amendment on this bill. I feel confident of its repeal at a latter date.

#### COLLECTION OF FEDERAL UNEMPLOYMENT TAX

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business be laid aside temporarily, and that the Senate proceed to the consideration of Calendar No. 272, H.R. 9951.

The ACTING PRESIDENT pro tempore. Is there objection? The Chair hears none and it is so ordered.

The bill will be stated by title.

The BILL CLERK. A bill (H.R. 9951) to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

The Senate proceeded to consider the bill, which had been reported from the Committee on Finance with amendments.

#### UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, I send to the desk a unanimous-consent request and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. The unanimous-consent request will be stated.

The bill clerk read as follows:

*Ordered*, That, effective immediately H.R. 9951 be made the pending business and that during its further consideration, debate on any amendment, motion, or appeal, except a motion to lay on the table, shall be limited to one hour, to be equally divided and controlled by the mover of any such amendment or motion and the Chairman of the Committee: *Provided*, That in the event the Chairman is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him: *Provided further*, That no amendment that is not germane to the provisions of any amendment dealing exclusively with the extension of the surtax or the repeal of the investment tax credit shall be received.

*Ordered further*, That on the question of the final passage of the said bill debate shall be limited to two hours, to be equally divided and controlled, respectively, by the majority and minority leaders: *Provided*, That the said leaders, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

The ACTING PRESIDENT pro tempore. Is there objection to the unanimous-consent request?

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. JAVITS. Mr. President, I have discussed this with the Senator from Montana (Mr. MANSFIELD), and we have agreed that we would deal with this question in this colloquy.

I have proposed an amendment which would make it the sense of Congress that on or before the end of this session, we would consider a meaningful tax reform bill. Now, appreciating the good faith involved—to which I thoroughly subscribe—I only point out that the commitment to bring in a tax reform package, as it is called in the Democratic policy committee's resolution, is only a resolution of the Democratic policy committee



and the Democratic part of the Committee on Finance.

I would therefore ask—as this now becomes part of an action which is against the interests of myself, who wishes to present such an amendment—if the majority leader, the chairman of the Committee on Finance, and, very important, the minority leader, and the ranking minority member of the Committee on Finance, would represent to the Senate that it is their purpose—I am using these words very advisedly—to bring up a tax reform package not later than October 31 and to use their best efforts toward that effect.

Mr. LONG. Mr. President, I have committed myself to the Democratic Senators on the policy committee and anyone else who is interested in the matter on this side of the aisle that I would endeavor to see that we would report a tax reform bill not later than October 31 of this year. It is my intention that we would report whatever bill the House sends us, with our amendments. If the Senator likes the House amendments better than the Senate amendments, he can vote for the House amendments. If he does not like either, he may offer his own amendments, as I am sure he will.

Mr. MANSFIELD. The answer of the Senator from Montana is “yes.”

Mr. JAVITS. May we hear from the minority leader and the ranking minority member of the Committee on Finance?

Mr. DIRKSEN. Mr. President, I was advised that as of this day they are going to file the tax reform bill in the House. The House Ways and Means Committee has done this ahead of the time schedule. If they file it today, it will be filed before the month of July has ended. If we cannot get tax reform between July and October 31, we evidently will have gone fishing somewhere or have been recreant in our duty. It seems to me that we can get it done long before the 31st of October.

Mr. JAVITS. I call that, I say to the minority leader, a Dirksenian “yes.” [Laughter.]

Mr. WILLIAMS of Delaware. Mr. President, as the original author of many of these tax reform proposals, I will do my best to get them to a vote at an early date. I learned long ago not to say what we can or cannot do so far as the Committee on Finance is concerned.

Mr. JAVITS. I thank my colleagues.

The ACTING PRESIDENT pro tempore. The Senator from Montana has propounded a unanimous-consent agreement. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Mr. President, will the Senator yield briefly?

Mr. WILLIAMS of Delaware. I yield.

Mr. MANSFIELD. Mr. President, for the information of the Senate, and I do not desire to keep Senators here too long because I know that many Senators have engagements, the first motion will be made by the Senator from Delaware to withdraw an amendment.

Mr. WILLIAMS of Delaware. I was going to do that now.

Mr. MANSFIELD. Then, I understand the chairman of the Committee on Finance will lay down his amendment to

extend the surtax to December 31, 1969. There will be no voting tonight. We will come in at 11 o'clock tomorrow. There will be two speeches which will take up the hour until 12 o'clock, there will be no morning hour, and then at 12 o'clock noon we will start on the bill.

The ACTING PRESIDENT pro tempore. Does the Senator from Montana wish to make a unanimous consent agreement?

ORDER FOR RECESS TO 11 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business today it stand in recess until 11 a.m. tomorrow.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER FOR RECOGNITION OF SENATOR THURMOND AND SENATOR AIKEN TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that tomorrow, after the prayer and approval of the journal, the distinguished Senator from South Carolina (Mr. THURMOND) be recognized for a period not to exceed one-half hour; that then the distinguished Senator from Vermont (Mr. AIKEN) be recognized for a period not to exceed one-half hour; that there be no morning hour, and that at the conclusion of the speeches by the Senator from South Carolina and the Senator from Vermont the Senate take up the business at hand.

The PRESIDING OFFICER. Is there objection? The Chair hears no objection, and it is so ordered.

COLLECTION OF FEDERAL UNEMPLOYMENT TAX

The Senate resumed the consideration of the bill (H.R. 9951) to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent to withdraw the amendment of H.R. 9951, beginning with line 3, on page 8, and through the remainder of the bill, which strikes out sections 5 and 6.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

AMENDMENT NO. 109

Mr. LONG. Mr. President, I send an amendment to the desk.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. LONG. Mr. President, I ask unan-

imous consent that further reading of the amendment be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment (No. 109), ordered to be printed in the RECORD, is as follows:

At the end of the bill add the following new sections:

“Sec. 5. Extension of tax surcharge.

“(a) SURCHARGE EXTENSION.—Section 51(a) of the Internal Revenue Code of 1954 (relating to imposition of tax surcharge) is amended—

“(1) by striking out so much of paragraph (1) (A) as follows the table heading “CALENDAR YEAR 1969” and inserting in lieu thereof the following:

“TABLE 1.—SINGLE PERSON (OTHER THAN HEAD OF HOUSEHOLD) AND MARRIED PERSONS FILING SEPARATE RETURN

“If the adjusted tax is:		
At least	But less than	The tax is—
0	\$148	0
\$148	153	\$1
153	158	2
158	163	3
163	168	4
168	173	5
173	178	6
178	183	7
183	188	8
188	193	9
193	198	10
198	203	11
203	208	12
208	213	13
213	218	14
218	223	15
223	228	16
228	233	17
233	238	18
238	243	19
243	248	20
248	253	21
253	258	22
258	263	23
263	268	24
268	273	25
273	278	26
278	283	27
283	288	28
288	293	29
293	305	30
305	315	31
315	325	32
325	335	33
335	345	34
345	355	35
355	365	36
365	375	37
375	385	38
385	395	39
395	405	40
405	415	41
415	425	42
425	435	43
435	445	44
445	455	45
455	465	46
465	475	47
475	485	48
485	495	49
495	505	50
505	515	51
515	525	52
525	535	53
535	545	54
545	555	55
555	565	56
565	575	57
575	585	58
585	595	59
595	605	60
605	615	61
615	625	62
625	635	63
635	645	64
645	655	65
655	665	66
665	675	67
675	685	68
685	695	69
695	705	70
705	715	71
715	725	72
725	735	73

735 and over, 10% of the adjusted tax”



"TABLE 2.—HEAD OF HOUSEHOLD

"If the adjusted tax is:		
At least	But less than	The tax is—
0	\$223	0
\$223	228	\$1
228	233	2
233	238	3
238	243	4
243	248	5
248	253	6
253	258	7
258	263	8
263	268	9
268	273	10
273	278	11
278	283	12
283	288	13
288	293	14
293	298	15
298	303	16
303	308	17
308	313	18
313	318	19
318	323	20
323	328	21
328	333	22
333	338	23
338	343	24
343	348	25
348	353	26
353	358	27
358	363	28
363	368	29
368	373	30
373	378	31
378	383	32
383	388	33
388	393	34
393	398	35
398	403	36
403	408	37
408	413	38
413	418	39
418	423	40
423	428	41
428	433	42
433	438	43
438	443	44
443	448	45
448	453	46
453	458	47
458	463	48
463	468	49
468	473	50
473	478	51
478	483	52
483	488	53
488	493	54
493	498	55
498	503	56
503	508	57
508	513	58
513	518	59
518	523	60
523	528	61
528	533	62
533	538	63
538	543	64
543	548	65
548	553	66
553	558	67
558	563	68
563	568	69
568	573	70
573	578	71
578	583	72
583	588	73
588	593	
593	598	
598	603	
603	608	
608	613	
613	618	
618	623	
623	628	
628	633	
633	638	
638	643	
643	648	
648	653	
653	658	
658	663	
663	668	
668	673	
673	678	
678	683	
683	688	
688	693	
693	698	
698	703	
703	708	
708	713	
713	718	
718	723	
723	728	
728	733	
733	738	
738	743	
743	748	
748	753	
753	758	
758	763	
763	768	
768	773	
773	778	
778	783	
783	788	
788	793	
793	798	
798	803	
803	808	
808	813	
813	818	
818	823	
823	828	
828	833	
833	838	
838	843	
843	848	
848	853	
853	858	
858	863	
863	868	
868	873	
873	878	
878	883	
883	888	
888	893	
893	898	
898	903	
903	908	
908	913	
913	918	
918	923	
923	928	
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938	943	
943	948	
948	953	
953	958	
958	963	
963	968	
968	973	
973	978	
978	983	
983	988	
988	993	
993	998	
998	1003	
1003	1008	
1008	1013	
1013	1018	
1018	1023	
1023	1028	
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1033	1038	
1038	1043	
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1058	1063	
1063	1068	
1068	1073	
1073	1078	
1078	1083	
1083	1088	
1088	1093	
1093	1098	
1098	1103	
1103	1108	
1108	1113	
1113	1118	
1118	1123	
1123	1128	
1128	1133	
1133	1138	
1138	1143	
1143	1148	
1148	1153	
1153	1158	
1158	1163	
1163	1168	
1168	1173	
1173	1178	
1178	1183	
1183	1188	
1188	1193	
1193	1198	
1198	1203	
1203	1208	
1208	1213	
1213	1218	
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2158	2163	
2163	2168	
2168	2173	
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2198	2203	
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2233	2238	
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2243	2248	
2248	2253	
2253	2258	
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2443	2448	
2448	2453	
2453	2458	
2458	2463	
2463	2468	
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2478	2483	
24		

Mr. LONG. Mr. President, I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, for the information of the Senate, after the time has run out on this amendment by the Senator from Louisiana, a substitute will be offered which embraces the language of the bill as it passed the House and which would extend the surtax at the rate of 10 percent for the remaining 6 months of this year, and at a 5-percent rate for the first 6 months of calendar year 1970, which would be the language of the House bill.

Mr. President, that proposal will be offered as a substitute for the amendment of the Senator from Louisiana. Later, the Senate will have a chance to vote on an amendment for the repeal of the investment credit, which again will be the same language as now included in H.R. 12290.

The ACTING PRESIDENT pro tem-

pore. What is the pleasure of the Senate?

# ADJOURNMENT UNTIL 11 A.M. TOMORROW

Mr. LONG. Mr. President, if there be no further business to come before the Senate at this time, I move, in accordance with the previous order, that the Senate stand in recess until 11 a.m. tomorrow.

The motion was agreed to; and (at 6 o'clock and 15 minutes p.m.) the Senate took a recess until tomorrow, Thursday, July 31, 1969, at 11 a.m.

## CONFIRMATIONS

Executive nominations confirmed by the Senate July 30, 1969:

### AMBASSADOR

Kenneth Franzheim II, of Texas, to be Ambassador Extraordinary and Plenipotentiary

of the United States of America to New Zealand.

### U.S. ARMS CONTROL AND DISARMAMENT AGENCY

The following-named persons to be members of the General Advisory Committee of the U.S. Arms Control and Disarmament Agency:

I. W. Abel, of Pennsylvania.  
Harold Brown, of California.  
William J. Casey, of New York.  
Douglas Dillon, of New Jersey.  
William C. Foster, of the District of Columbia.  
Kermit Gordon, of the District of Columbia.  
James R. Killian, Jr., of Massachusetts.  
John J. McCloy, of New York.  
Lauris Norstad, of Ohio.  
Peter G. Peterson, of Illinois.  
J. P. Ruina, of Massachusetts.  
Dean Rusk, of the District of Columbia.  
William W. Scranton, of Pennsylvania.  
Cyrus Roberts Vance, of New York.  
John Archibald Wheeler, of New Jersey.









# **DIGEST** of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20250  
OFFICIAL BUSINESS

POSTAGE AND FEES PAID  
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
(FOR INFORMATION ONLY;  
NOT TO BE QUOTED OR CITED)

Issued August 1, 1969  
For actions of July 31, 1969  
91st 1st No. 129

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HIGHLIGHTS: Senate passed bill to extend surcharge tax through Dec. 31. Senate committee voted to report civil service retirement financing and benefits bill. Sen. Muskie introduced and discussed bill to provide intergovernmental coordination of power development and environmental protection.

SENATE

1. TAXATION. Passed, 70-30, with amendment H. R. 9951, providing for collection of the Federal unemployment tax in quarterly installments during each taxable year (pp. ~~S8849~~, S8855-87).  
Adopted, 51-48, the Long, La., amendment to continue the 10 percent surtax through Dec. 31, 1969 (p. S8857).  
Rejected, 41-59, the Williams, Del., amendment to extend income surtax for the first 6 months of 1970 at the rate of 5 percent (p. S8872).
2. PERSONNEL; RETIREMENT. The Post Office and Civil Service Committee voted to report (but did not actually report) S. 2326, relating to retirement financing and benefits for Government employees and Members of Congress. The "Daily Digest" states that among amendments adopted is one which would exempt from income tax the first \$3,000 of retirement annuity. p. D703
3. FARM LABOR. Sen. Javits inserted recommendations of the Committee on Labor Law of the Federal Bar Council concerning farm labor legislation. pp. S8892-4
4. ST. LAWRENCE SEAWAY. Sen. Hart inserted an article, "The 10-Year-Old Seaway Needs Expansion.--A Billion-Dollar Act of Faith." pp. S8900-8901
5. ANTITRUST. Both Houses received from Justice a report on certain exemptions from the antitrust laws to assist in safeguarding the balance-of-payments position of the U. S. p. S8902, H6691  
Both Houses received from Treasury a proposed bill to extend the authority for exemptions from the antitrust laws to assist in safeguarding the balance-of-payments position of the United States; to the Judiciary Committees. pp. S8902, H6691
6. FOREIGN TRADE. Sen. Percy inserted Sen. Mathias' speech in which he urged the adoption of a system of generalized tariff preferences for the underdeveloped countries. pp. S8923-5
7. PEST CONTROL. Sen. Nelson inserted an article reporting on the progress which has been made in developing effective biological controls for pests. pp. S8928-9
8. RECREATION. Sen. Yarborough inserted a resolution on the Northpark Conservation Federation of Dallas, Tex., calling for a Big Thicket National Park. p. S8933
9. WHEAT. Sen. McGovern criticized the administration's wheat sales program and inserted an article, "Common Market Angered--Grain Prices Lowered." pp. S8933-4



July 31, 1969

HOUSE

RECREATION. The Interior and Insular Affairs Committee reported with amendment S. 912, to provide for the establishment of the Florissant Fossil Beds National Monument, Colo. (H. Rept. 91-411). p. H6691

TAXATION. The Ways and Means Committee was granted until midnight Aug. 4 to file a report to accompany the bill entitled "The Tax Reform Act of 1969." p. H6598

The "Daily Digest" states that the Rules Committee "granted a rule that would make it in order to agree to the Senate amendment to H. R. 9951, to provide for the collection of the Federal unemployment tax in quarterly installments," etc. (p. ~~H7051~~). This bill was amended by the Senate to continue the 10 percent surtax through December 31, 1969.

APPROPRIATIONS. Passed, 393-16, with amendments H. R. 13111, the Labor-HEW appropriation bill (pp. H6598-658). By a record vote of 293-120 adopted the Joelson "package" amendment agreed to earlier (including provision for an increase of \$398 million in funds for school aid in impacted areas) (pp. H6655-56). A motion by Rep. Bow to recommit the bill was rejected. (p. H6657).

PERSONNEL. Rep. Henderson applauded recent Congressional action in removing the Federal payroll personnel ceiling and inserted his letter to the Budget Bureau stating his plan of action "to more effective utilization of our Government's labor force." p. H6660

Received from the Civil Service Commission a proposed bill to amend title 5 of the United States Code, to provide that agency heads be paid on a bi-weekly basis; to Post Office and Civil Service Committee. p. H6691

FOREIGN TRADE. Rep. Dent stated he has tried for "over a dozen years to alert the Congress to the dangers inherent in our outmoded trade policies" and discussed an article, "'Voluntary Controls of Textile Products by Nation's Cabinet Under Discussion,' datelined Tokyo." pp. H6670-71

TIMBER SUPPLY. Rep. McMillan inserted an editorial in support of the proposed National Forest Timber Supply Act. p. H6688

EXTENSION OF REMARKS

WATERSHEDS; FLOOD CONTROL. Rep. Miller, Ohio, praised the small watershed program and inserted an article on the progress of the programs in Ohio. pp. E6506-7

Rep. Winn inserted an article, "The Battle for Flood Control." pp. E6514-5

POPULATION. Rep. Horton supported the President's proposal to establish a Commission on Population Growth and the American Future. pp. E6511-2

18. SCHOOL LUNCH. Rep. Biaggi stated that he was proud to have voted for the bill to provide needy children with nutritious meals. p. E6514
19. FOREIGN AID. Rep. Fulton, Pa., inserted an AFL-CIO statement supporting foreign aid authorization legislation. pp. E6516-9
20. BALANCE of PAYMENTS. Rep. Gross commended and inserted a chapter from a new book by Ezra Taft Benson, "Gold and the Balance of Payments." pp. E6522-4
21. DAIRY; PRICE SUPPORTS. Rep. Obey stated that he is disappointed that this Department has indicated that the price support for milk will not be raised at the present time, and inserted correspondence on this subject. pp. E6524-6
22. EXPORT CONTROL. Rep. Ashbrook inserted the views of Sens. Bennett and Tower in opposition to the proposed bill to provide for continuation of authority for the regulation and expansion of exports. pp. E6526-9

#### BILLS INTRODUCED

23. TAXATION. S. 2739 by Sen. Stevens, to expand the definition of deductible moving expenses incurred by an employee; to Finance Committee. Remarks of author p. S8903
24. PESTICIDES. S. 2747 by Rep. Tydings, to require the Secretary of Health, Education, and Welfare to conduct a study and investigation of the effects of the use of certain poisons on man's health and environment; to Agriculture and Forestry Committee. Remarks of author pp. S8904-7.
25. FOREIGN TRADE. S. 2748 by Sen. Hartke, to amend the Antidumping Act, 1921, as amended; to Finance Committee. Remarks of author pp. S8907-8.
26. ELECTRIFICATION; ENVIRONMENT. S. 2752 by Sen. Muskie, to promote intergovernmental cooperation in the control of site selection and construction of bulk power facilities for environmental and coordination purposes; to Government Operations Committee. Remarks of author pp. S8909-20
27. MINK IMPORTS. H. R. 13224 by Rep. Giaimo, to amend the Tariff Schedules of the United States with respect to the rate of duty on whole skins of mink; to Ways and Means Committee.
28. EROSION. H. R. 13230 by Rep. Schadeberg, to amend the act of August 13, 1946, relating to Federal participation in the cost of protecting the shores of the United States, its territories, and possessions, to include privately owned property; to Public Works Committee. Remarks of author pp. E6504-5, H6597.



particular subject only after assuring himself of the facts. To buttress his arguments, he has cited for the Senate the privileges he has had of serving on the Joint Committee on Atomic Energy, he has indicated his extreme expertise on the question of nuclear energy, and he has tried to put in perspective a portion of the argument against the ABM which has not yet been given much consideration on this floor.

I believe the Senate is indebted to the distinguished Senator for his remarks. I am in accord with one of the main tenets of his argument, and that is that what we have to achieve—if I may transpose slightly the Senator's thoughts—is not necessarily a superiority in the field of defense but, rather, a balance between the field of defense on the one hand and our domestic needs on the other. As the Senator has indicated, we could have the strongest and most expensive defense system in the world; but if we did not have some stability at home, if we did not take care of our people, we would not have a great deal upon which to base our security.

Once again, it is a great pleasure to listen to the Senator from Vermont and to be the beneficiary of his wisdom and his detailed thinking on this most important subject.

Mr. AIKEN. Mr. President, I know of no one from whom I would prefer to get words of commendation than the distinguished majority leader, the Senator from Montana.

I have tried to present facts in what I have just said. I wish I could have told the Senate more of the things which prompted me to take the position I have taken this morning, but many of the facts are classified. Everything I said here is a matter of public record. If you know where to look you can see I have confined my remarks to what is in the public record.

I thank the Senator.

#### COLLECTION OF FEDERAL UNEMPLOYMENT TAX

The Senate resumed the consideration of the bill (H.R. 9951) to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Louisiana.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum. For the benefit of attachés of the Senate, I say it will be a live quorum.

The ACTING PRESIDENT pro tempore. On whose time?

Mr. MANSFIELD. Apart from the time limitation. I think in this instance we could do it.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. The clerk will call the roll.

The bill clerk called the roll, and the following Senators answered to their names:

[No. 59 Leg.]

Aiken	Goldwater	Prouty
Allen	Gore	Ribicoff
Bellmon	Holland	Scott
Bennett	Hollings	Sparkman
Bible	Kennedy	Spong
Byrd, Va.	Long	Talmadge
Byrd, W. Va.	Mansfield	Thurmond
Curtis	Metcalf	Tydings
Dirksen	Miller	Williams, Del.
Dole	Murphy	
Ervin	Muskie	

Mr. KENNEDY. I announce that the Senator from South Dakota (Mr. McGovern) is necessarily absent.

The ACTING PRESIDENT pro tempore. A quorum is not present.

Mr. BYRD of West Virginia. Mr. President, I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from West Virginia.

The motion was agreed to.

The ACTING PRESIDENT pro tempore. The Sergeant at Arms will execute the order of the Senate.

After some delay, the following Senators entered the Chamber and answered to their names:

Allott	Gravel	Moss
Anderson	Griffin	Mundt
Baker	Gurney	Nelson
Bayh	Hansen	Packwood
Boggs	Harris	Pastore
Brooke	Hart	Pearson
Burdick	Hartke	Pell
Cannon	Hatfield	Percy
Case	Hruska	Proxmire
Church	Hughes	Randolph
Cook	Inouye	Russell
Cooper	Jackson	Saxton
Cotton	Javits	Schweiker
Cranston	Jordan, N.C.	Smith
Dodd	Jordan, Idaho	Stennis
Dominick	Magnuson	Stevens
Eagleton	Mathias	Symington
Easland	McCarthy	Tower
Ellender	McClellan	Williams, N.J.
Fannin	McGee	Yarborough
Fong	McIntyre	Young, N. Dak.
Fulbright	Mondale	Young, Ohio
Goodell	Montoya	

The ACTING PRESIDENT pro tempore. A quorum is present.

#### ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I yield 2 minutes to the Senator from Tennessee.

The ACTING PRESIDENT pro tempore. The Chair inquires of the Senator from Montana, to whom is the time to be charged?

Mr. MANSFIELD. On the bill.

The ACTING PRESIDENT pro tempore. The Senator from Tennessee is recognized.

Mr. STENNIS. Mr. President, may we have order, real order, quiet?

The ACTING PRESIDENT pro tempore. The Senate will be in order. The Senate will not proceed until the Senate is in order. The Senator from Tennessee may proceed.

#### AMERICAN SERVICEMEN IN VIETNAM

Mr. GORE. Mr. President, as a youngster I taught elementary mathematics in high school for a short while. Yet I admit the new mathematics gives me problems. I find the statistical formula for reduction of U.S. forces in Vietnam particularly puzzling.

I made inquiry of the Pentagon, and these statistics were supplied to me. On January 18, 1969, there were 532,500 American servicemen in Vietnam.

On July 17, 1969, there were 535,200 American servicemen in Vietnam.

On July 26, 1969, the Pentagon reports there were 536,000 American servicemen in Vietnam.

This is an increase of 3,500 over the number in Vietnam 2 days before President Nixon's inauguration, an increase of 800 from last week to this week. Yet, I read and hear every day that our boys are being withdrawn. There has been some mention of 25,000.

I am also having difficulty understanding how we can have a policy one day to avoid more Vietnams, and 2 days later to find the Vietnam war "our finest hour." As Alice said in her "Adventures in Wonderland," things are getting "curiouser and curiouser."

Mr. President, there are, unfortunately, some statistics from Vietnam that are easily understood, though they give us much sadness.

The casualties last week in Vietnam were 1,212—110 killed by hostile action, 46 killed by nonhostile action, and the remainder wounded.

This brings to a total, according to the statistics given me by the Department of Defense, of 54,184 casualties since January 18, 1969.

Mr. President, this war must end.

#### COLLECTION OF FEDERAL UNEMPLOYMENT TAX

The Senate resumed the consideration of the bill (H.R. 9951) to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

Mr. LONG obtained the floor.

Mr. LONG. Mr. President, I really do not think the amendment requires any debate. I think all Senators understand the question. It is a simple extension of the 10-percent surtax until the end of this year.

If someone cares to speak in favor of the amendment, I would be happy to yield for that purpose; otherwise, I am prepared to yield back the remainder of my time.

The ACTING PRESIDENT pro tempore. The Senate is not in order. The Senate will please be in order.



Mr. LONG. Mr. President, as I said, I really do not think that my amendment requires any further debate. I think every Senator understands it and knows how he wishes to vote.

I am prepared to yield back the time on my amendment if the other side will yield back their time.

It is my understanding that time must be used up on the amendment before we can consider an amendment to the amendment. That being the case, I propose to yield back my time.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 2 minutes.

The ACTING PRESIDENT pro tempore. The Senator from Delaware is recognized for 2 minutes.

Mr. WILLIAMS of Delaware. Mr. President, I might say that—

Mr. STENNIS. Mr. President, a point of order. It is not possible to hear what is going on. We do not know what the issue is. We do not know what Senators are saying. The Senate should be called to order.

The ACTING PRESIDENT pro tempore. The Senate will be in order.

Will the Senator from Delaware please indicate to whom time will be charged?

Mr. WILLIAMS of Delaware. I said I yielded myself 2 minutes.

Mr. President, I completely agree with the chairman of the committee that there is nothing that can be said in defense of his amendment. I quite agree that it just does not do the job. I think that is clearly understood.

I will yield back my time, and I am ready to vote.

Mr. LONG. Mr. President, I yield myself 1 minute. It is better than nothing.

Mr. WILLIAMS of Delaware. I should like to quote briefly what every living former Secretary of the Treasury publicly and jointly stated in June of this year in connection with this question. This is every living Secretary of the Treasury, including John Snyder, George Humphrey, Robert Anderson, Douglas Dillon, Henry Fowler, Joseph Barr, all made the following statement:

We are joining together to express our firm conviction that the financial health of the nation demands prompt action by the Congress to extend the income tax surcharge for 1 year.

Mr. President, I completely agree with that, and I agree with the Senator from Louisiana that there is nothing much that can be said in defense of any other position.

With that understanding, if the Senator wants to, we can yield back the remainder of our time.

Mr. LONG. Mr. President, I yield back the remainder of my time.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays on the pending amendment.

The yeas and nays were ordered.

The ACTING PRESIDENT pro tempore. All time on the amendment has been yielded back.

Mr. PASTORE. Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator from Rhode Island will state it.

Mr. PASTORE. What is the pending business?

The ACTING PRESIDENT pro tempore. The pending question is on the adoption of the amendment offered by the Senator from Louisiana, amendment No. 109.

Mr. PASTORE. I thank the Chair. Mr. WILLIAMS of Delaware. Mr. President, I yield myself 1 further minute.

The ACTING PRESIDENT pro tempore. The Senator from Delaware is recognized for 1 additional minute.

Mr. WILLIAMS of Delaware. As I stated earlier, the uncertainty as to what Congress will or will not do on this surtax, whether to extend it at all and if so, at what rate and for how long, is vital. The uncertainty as to what we will or will not do—

The ACTING PRESIDENT pro tempore. The Senate will please be in order. The Senator from Delaware will suspend. The Senate will be in order.

Mr. DIRKSEN. Mr. President, I ask that the Senate be cleared of everyone not entitled to the privilege of the floor.

The ACTING PRESIDENT pro tempore. Is there objection? The Chair hears none, and the Sergeant at Arms will clear the Chamber of all attachés and other personnel not entitled to the privilege of the floor.

The Senate will be in order.

All attachés will immediately leave the Chamber.

All attachés will completely leave the Chamber, and quickly.

The Senator from Delaware may proceed.

Mr. WILLIAMS of Delaware. Mr. President, if I may finish, I just said that the uncertainty in the financial community and in the minds of our taxpayers as to whether Congress will or will not meet its responsibility in answering the question of extending the surcharge and if so, at what rate and for how long, and whether we will or will not repeal the investment tax credit and if so, at what effective date, are all questions which must be settled today. Immediately after this amendment is disposed of amendments to carry out this objective will be offered. However, we cannot proceed until this amendment is disposed of, then amendments will be offered to extend the surtax for the full year, phased out as the administration recommended and as reported by the Finance Committee, along with the proposal to repeal the investment tax credit.

The ACTING PRESIDENT pro tempore. The Senator from Delaware will suspend until the Senate is in order. All attachés will leave the floor at once.

Mr. WILLIAMS of Delaware. Mr. President, I think that the Senate should beat down this—

The ACTING PRESIDENT pro tempore. Did not the Senator from Delaware yield back the remainder of his time?

Mr. WILLIAMS of Delaware. Yes. I am willing to vote now. I hope that the Senate will reject the amendment.

Mr. SCOTT. Mr. President, will the Senator from Delaware yield for a clarification?

Mr. WILLIAMS of Delaware. I yield.

Mr. SCOTT. As I understand it, a vote "nay" on the Long amendment is not a vote against the extension of phasing out the surtax but Senators may regard it as an opportunity, then, to go on to having a vote on the Williams amendment.

Mr. WILLIAMS of Delaware. That is correct. The only way I can offer my amendment is to get rid of the Long amendment first, which I hope will be rejected by the Senate.

Mr. LONG. Mr. President, I yield myself 1 minute on the bill.

Mr. HANSEN. Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator will state it.

Mr. HANSEN. Has not all time been yielded back?

The ACTING PRESIDENT pro tempore. All time has been yielded back.

Mr. LONG. Mr. President, I yield myself 1 minute on the bill.

Mr. MANSFIELD. Mr. President, I yield 1 minute on the bill.

The ACTING PRESIDENT pro tempore. The Senator from Montana has yielded 1 minute on the bill.

Mr. LONG. Mr. President, if this amendment is agreed to, the bill is still subject to amendment. It is subject to amendment relating to extension of the surtax beyond January 1. It is also subject to amendment on the repeal of the investment tax credit. It is right there in the unanimous consent agreement, a copy of which is on each Senator's desk.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana.

Mr. DIRKSEN. Mr. President, I yield myself 1 minute on the bill, only to ask the chairman of the Finance Committee a question. What is in the bill now also takes care of the withholding tables which the House tried to cover in the bill that came over here a day or two ago and gave a 15-day extension on the withholding tables? That is now taken care of?

Mr. LONG. Yes, that is taken care of.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Louisiana.

The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. KENNEDY. I announce that the Senator from South Dakota (Mr. McGovern) is necessarily absent.

The result was announced—yeas 51, nays 48, as follows:

[No. 60 Leg.]

YEAS—51

Aiken	Gravel	McIntyre
Anderson	Harris	Metcalfe
Baker	Hartke	Mondale
Bayh	Holland	Moss
Byrd, Va.	Hollings	Muskie
Case	Hughes	Pastore
Church	Inouye	Pell
Cranston	Jackson	Randolph
Dirksen	Javits	Ribicoff
Dodd	Jordan, N.C.	Russell
Eagleton	Kennedy	Sparkman
Eastland	Long	Spong
Ellender	Magnuson	Stennis
Ervin	Mansfield	Symington
Fulbright	McCarthy	Talmadge
Goodell	McGlellan	Tydings
Gore	McGee	Yarborough



NAYS—48

Allen	Fannin	Packwood
Allott	Fong	Pearson
Bellmon	Goldwater	Percy
Bennett	Griffin	Prouty
Bible	Gurney	Proxmire
Boggs	Hansen	Saxbe
Brooke	Hart	Schweiker
Burdick	Hatfield	Scott
Byrd, W. Va.	Hruska	Smith
Cannon	Jordan, Idaho	Stevens
Cook	Mathias	Thurmond
Cooper	Miller	Tower
Cotton	Montoya	Williams, N.J.
Curtis	Mundt	Williams, Del.
Dole	Murphy	Young, N. Dak.
Domlnick	Nelson	Young, Ohio

NOT VOTING—1

McGovern

So Mr. LONG's amendment was agreed to.

Mr. LONG. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. PASTORE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. WILLIAMS of Delaware. Mr. President, I send to the desk an amendment, and ask that it be stated.

Mr. PASTORE. Mr. President, may we have order?

The ACTING PRESIDENT pro tempore. The Senate will be in order. The clerk will not proceed until order is restored.

The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The amendment offered by Mr. WILLIAMS of Delaware is as follows:

At the end of the bill add a new section:

"EXTENSION OF TAX SURCHARGE

"SEC. 1 (a). SURCHARGE EXTENSION.—Section 51(a) of the Internal Revenue Code of 1954 (relating to imposition of tax surcharge) is amended—

"(1) by inserting at the end of paragraph (1) (A) the following:

"CALENDAR YEAR 1970

"TABLE 1.—SINGLE PERSON (OTHER THAN HEAD OF HOUSEHOLD) AND MARRIED PERSONS FILING SEPARATE RETURN

"If the adjusted tax is:		The tax is—
At least	But less than	
0	\$155	0
\$155	175	\$1
175	195	2
195	215	3
215	235	4
235	255	5
255	275	6
275	300	7
300	340	8
340	380	9
380	420	10
420	460	11
460	500	12
500	540	13
540	580	14
580	620	15
620	660	16
660	700	17
700	740	18
740	780	19
780	820	20
820	860	21
860	900	22
900	940	23
940	980	24
980 and over, 2.5% of the adjusted tax"		

"TABLE 2.—HEAD OF HOUSEHOLD

"If the adjusted tax is:		The tax is—
At least	But less than	
0	\$230	0
\$230	250	\$1
250	270	2
270	290	3
290	310	4
310	330	5
330	350	6
350	370	7
370	390	8
390	410	9
410	430	10
430	460	11
460	500	12
500	540	13
540	580	14
580	620	15
620	660	16
660	700	17
700	740	18
740	780	19
780	820	20
820	860	21
860	900	22
900	940	23
940	980	24
980 and over, 2.5% of the adjusted tax"		

"TABLE 3.—MARRIED PERSONS OR SURVIVING SPOUSE FILING JOINT RETURN

"If the adjusted tax is:		The tax is—
At least	But less than	
0	\$300	0
\$300	320	\$1
320	340	2
340	360	3
360	380	4
380	400	5
400	420	6
420	440	7
440	460	8
460	480	9
480	500	10
500	520	11
520	540	12
540	560	13
560	580	14
580	620	15
620	660	16
660	700	17
700	740	18
740	780	19
780	820	20
820	860	21
860	900	22
900	940	23
940	980	24
980 and over, 2.5% of the adjusted tax"		

"(2) by striking out the table in paragraph (1) (B) and inserting in lieu thereof the following table:

"Calendar year	Percent	
	Estates and trusts	Corporations
1968	7.5	10.0
1969	10.0	10.0
1970	2.5	2.5"

"(3) by striking out 'July 1, 1969' the first time it appears in paragraph (2) (A) and inserting in lieu thereof 'July 1, 1970', and

"(4) by striking out paragraph (2) (A) (ii) and inserting in lieu thereof the following:

"(ii) a fraction, the numerator of which is the sum of the number of days in the taxable year occurring on and after the effective date of the surcharge and before January 1, 1970, plus one-half times the number of days in the taxable year occurring after December 31, 1969, and before July 1, 1970, and the denominator of which is the number of days in the entire taxable year."

"(b) RECEIPT OF MINIMUM DISTRIBUTIONS.—The last sentence of section 963(b) of such Code (relating to receipt of minimum

distributions by domestic corporations) is amended by striking out 'June 30, 1969' and inserting in lieu thereof 'June 30, 1970'.

"(c) EFFECTIVE DATES.—

"(1) IN GENERAL.—The amendments made by subsections (a) and (b) shall apply to taxable years ending after December 30, 1969, and beginning before July 1, 1970.

"(2) DECLARATIONS OF ESTIMATED TAX.—If any taxpayer is required to make a declaration or amended declaration of estimated tax, or to pay any amount or additional amount of estimated tax, by reason of the amendments made by this section, such amount or additional amount shall be paid ratably on or before each of the remaining installment dates for the taxable year beginning with the first installment date on or after the 30th day after the date of enactment of this Act. With respect to any declaration or payment of estimated tax before such first installment date, sections 6015, 6154, 6654, and 6655 of the Internal Revenue Code of 1954 shall be applied without regard to the amendments made by this section. For purpose of this paragraph, the term 'installment date' means any date on which, under section 6153 or 6154 of such Code (whichever is applicable), an installment payment of estimated tax is required to be made by the taxpayer.

"SEC.—COLLECTION OF INCOME TAX AT SOURCE ON WAGES

"(a) PERCENTAGE METHOD.—Section 3402(a) of the Internal Revenue Code of 1954 (relating to requirement of withholding) is amended—

"(1) by striking out 'July 31, 1969' in paragraph (1) and inserting in lieu thereof 'June 30, 1970';

"(2) by striking out 'August 1, 1969' in paragraph (2) and inserting in lieu thereof 'January 1, 1970'; and

"(3) by inserting after paragraph (2) the following new paragraph:

"(3) In the case of wages paid after December 31, 1969, and before July 1, 1970:

"Table 1—If the payroll period with respect to an employee is WEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is: The amount of income tax to be withheld shall be:

Not over \$4	\$0.
Over \$4 but not over \$13	14% of excess over \$4.
Over \$13 but not over \$23	\$1.26, plus 15% of excess over \$13.
Over \$23 but not over \$85	\$2.76, plus 18% of excess over \$23.
Over \$85 but not over \$169	\$13.92, plus 21% of excess over \$85.
Over \$169 but not over \$212	\$31.56, plus 26% of excess over \$169.
Over \$212	\$42.74, plus 31% of excess over \$212.

"(b) Married Person:

"If the amount of wages is: The amount of income tax to be withheld shall be:

Not over \$4	\$0.
Over \$4 but not over \$23	14% of excess over \$4.
Over \$23 but not over \$58	\$2.66, plus 15% of excess over \$23.
Over \$58 but not over \$169	\$7.91, plus 18% of excess over \$58.
Over \$169 but not over \$340	\$27.89, plus 21% of excess over \$169.
Over \$340 but not over \$423	\$63.80, plus 26% of excess over \$340.
Over \$423	\$85.38, plus 31% of excess over \$423.



"Table 2—If the payroll period with respect to an employee is **BIWEEKLY**.

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	\$0.
Over \$8 but not over \$27-----	14% of excess over \$8.
Over \$27 but not over \$46-----	\$2.66, plus 15% of excess over \$27.
Over \$46 but not over \$169-----	\$5.51, plus 18% of excess over \$46.
Over \$169 but not over \$338-----	\$27.65, plus 21% of excess over \$169.
Over \$338 but not over \$423-----	\$63.14, plus 26% of excess over \$338.
Over \$423-----	\$85.24, plus 31% of excess over \$423.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	\$0.
Over \$8 but not over \$46-----	14% of excess over \$8.
Over \$46 but not over \$115-----	\$5.32, plus 15% of excess over \$46.
Over \$115 but not over \$338-----	\$15.67, plus 18% of excess over \$115.
Over \$338 but not over \$681-----	\$55.81, plus 21% of excess over \$338.
Over \$681 but not over \$846-----	\$127.84, plus 26% of excess over \$681.
Over \$846-----	\$170.74, plus 31% of excess over \$846.

"Table 3—If the payroll period with respect to an employee is **SEMIMONTHLY**.

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	\$0.
Over \$8 but not over \$29-----	14% of excess over \$8.
Over \$29 but not over \$50-----	\$2.94, plus 15% of excess over \$29.
Over \$50 but not over \$183-----	\$6.09, plus 18% of excess over \$50.
Over \$183 but not over \$367-----	\$30.03, plus 21% of excess over \$183.
Over \$367 but not over \$458-----	\$68.67, plus 26% of excess over \$367.
Over \$458-----	\$92.33, plus 31% of excess over \$458.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$8-----	\$0.
Over \$8 but not over \$50-----	14% of excess over \$8.
Over \$50 but not over \$125-----	\$5.88, plus 15% of excess over \$50.
Over \$125 but not over \$367-----	\$17.13, plus 18% of excess over \$125.
Over \$367 but not over \$738-----	\$60.69, plus 21% of excess over \$367.
Over \$738 but not over \$917-----	\$138.60, plus 26% of excess over \$738.
Over \$917-----	\$185.14, plus 31% of excess over \$917.

"Table 4—If the payroll period with respect to an employee is **MONTHLY**.

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	\$0.
Over \$17 but not over \$58-----	14% of excess over \$17.
Over \$58 but not over \$100-----	\$5.74, plus 15% of excess over \$58.

"If the amount of wages is: The amount of income tax to be withheld shall be:

Over \$100 but not over \$367-----	\$12.04, plus 18% of excess over \$100.
Over \$367 but not over \$733-----	\$60.10, plus 21% of excess over \$367.
Over \$733 but not over \$917-----	\$136.96, plus 26% of excess over \$733.
Over \$917-----	\$184.80, plus 31% of excess over \$917.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$17-----	\$0.
Over \$17 but not over \$100-----	14% of excess over \$17.
Over \$100 but not over \$250-----	\$11.62, plus 15% of excess over \$100.
Over \$250 but not over \$733-----	\$34.12, plus 18% of excess over \$250.
Over \$733 but not over \$1,475-----	\$121.06, plus 21% of excess over \$733.
Over \$1,475 but not over \$1,833-----	\$276.88, plus 26% of excess over \$1,475.
Over \$1,833-----	\$369.96, plus 31% of excess over \$1,833.

"Table 5—If the payroll period with respect to an employee is **QUARTERLY**.

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	\$0.
Over \$50 but not over \$175-----	14% in excess over \$50.
Over \$175 but not over \$300-----	\$17.50, plus 15% of excess over \$175.
Over \$300 but not over \$1,100-----	\$36.25, plus 18% of excess over \$300.
Over \$1,100 but not over \$2,200-----	\$180.25, plus 21% of excess over \$1,100.
Over \$2,200 but not over \$2,750-----	\$411.25, plus 26% of excess over \$2,200.
Over \$2,750-----	\$554.25, plus 31% of excess over \$2,750.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$50-----	\$0.
Over \$50 but not over \$300-----	14% of excess over \$50.
Over \$300 but not over \$750-----	\$35, plus 15% of excess over \$300.
Over \$750 but not over \$2,200-----	\$102.50, plus 18% of excess over \$750.
Over \$2,200 but not over \$4,425-----	\$363.50, plus 21% of excess over \$2,200.
Over \$4,425 but not over \$5,500-----	\$830.75, plus 26% of excess over \$4,425.
Over \$5,500-----	\$1,110.25, plus 31% of excess over \$5,500.

"Table 6—If the payroll period with respect to an employee is **SEMIANNUAL**.

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	\$0.
Over \$100 but not over \$350-----	14% of excess over \$100.
Over \$350 but not over \$600-----	\$35, plus 15% of excess over \$350.
Over \$600 but not over \$2,200-----	\$72.50, plus 18% of excess over \$600.
Over \$2,200 but not over \$4,400-----	\$360.50, plus 21% of excess over \$2,200.
Over \$4,400 but not over \$5,500-----	\$822.50, plus 26% of excess over \$4,400.
Over \$5,500-----	\$1,108.50, plus 31% of excess over \$5,500.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$100-----	\$0.
Over \$100 but not over \$600-----	14% of excess over \$100.
Over \$600 but not over \$1,500-----	\$70, plus 15% of excess over \$600.
Over \$1,500 but not over \$4,400-----	\$205, plus 18% of excess over \$1,500.
Over \$4,400 but not over \$8,850-----	\$727, plus 21% of excess over \$4,400.
Over \$8,850 but not over \$11,000-----	\$1,661.50, plus 26% of excess over \$8,850.
Over \$11,000-----	\$2,220.50, plus 31% of excess over \$11,000.

"Table 7—If the payroll period with respect to an employee is **ANNUAL**.

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	\$0.
Over \$200 but not over \$700-----	14% of excess over \$200.
Over \$700 but not over \$1,200-----	\$70, plus 15% of excess over \$700.
Over \$1,200 but not over \$4,400-----	\$145, plus 18% of excess over \$1,200.
Over \$4,400 but not over \$8,800-----	\$721, plus 21% of excess over \$4,400.
Over \$8,800 but not over \$11,000-----	\$1,645, plus 26% of excess over \$8,800.
Over \$11,000-----	\$2,217, plus 31% of excess over \$11,000.

"(b) Married Person:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over \$200-----	\$0.
Over \$200 but not over \$1,200-----	14% of excess over \$200.
Over \$1,200 but not over \$3,000-----	\$140, plus 15% of excess over \$1,200.
Over \$3,000 but not over \$8,800-----	\$410, plus 18% of excess over \$3,000.
Over \$8,800 but not over \$17,700-----	\$1,454, plus 21% of excess over \$8,800.
Over \$17,700 but not over \$22,000-----	\$3,323, plus 26% of excess over \$17,700.
Over \$22,000-----	\$4,441, plus 31% of excess over \$22,000.

"Table 8—If the payroll period with respect to an employee is a **DAILY** payroll or a **MISCELLANEOUS PERIOD**.

"(a) Single Person—Including Head of Household:

If the amount of wages, divided by the number of days in the payroll period, is:	The amount of income tax to be withheld shall be the following amount multiplied by the number of days in such period:
Not over \$0.50-----	\$0.
Over \$0.50 but not over \$1.90-----	14% of excess over \$0.50.
Over \$1.90 but not over \$3.30-----	\$0.20, plus 15% of excess over \$1.90.
Over \$3.30 but not over \$12.10-----	\$0.41, plus 18% of excess over \$3.30.
Over \$12.10 but not over \$24.10-----	\$1.99, plus 21% of excess over \$12.10.



"(a) Single Person—Including Head of Household—Continued  
 "If the amount of wages, divided by the number of days in the payroll period, is:

Over \$24.10 but not over \$30.10.	\$4.51, plus 20% of excess over \$24.10.
Over \$30.10-----	\$6.07, plus 31% of excess over \$30.10.

"(b) Married Person:

"If the amount of wages, divided by the number of days in the payroll period, is:

Not over \$0.50---	\$0.
Over \$0.50 but not over \$3.30.	14% of excess over \$0.50.
Over \$3.30 but not over \$8.20.	\$0.39, plus 15% of excess over \$3.30.
Over \$8.20 but not over \$24.10.	\$1.13, plus 18% of excess over \$8.20.
Over \$24.10 but not over \$48.50.	\$3.99, plus 21% of excess over \$24.10.
Over \$48.50 but not over \$60.30.	\$9.11, plus 26% of excess over \$48.50.
Over \$60.30-----	\$12.18, plus 31% of excess over \$60.30.

"(b) WAGE BRACKET WITHHOLDING.—Section 3402 (c) (relating to wage bracket withholding) is amended—

"(1) by striking out paragraph (1) and inserting in lieu thereof the following:

"(1) WAGE BRACKET WITHHOLDING.—At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax (in lieu of the tax required to be deducted and withheld under subsection (a)) determined in accordance with tables prescribed by the Secretary or his delegate. The tables so prescribed shall be the same as the tables contained in this subsection as in effect before June 1, 1969, except the amounts set forth as amounts and rates of tax to be deducted and withheld shall be computed on the basis of table 7 contained in paragraph (1), (2), or (3) (whichever is applicable) of subsection (a); and

"(2) by striking out paragraph (6).

"(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply with respect to wages paid after July 31, 1969."

The ACTING PRESIDENT pro tempore. How much time does the Senator from Delaware yield himself?

Mr. WILLIAMS of Delaware. I yield myself 5 minutes.

Mr. PROUTY. Mr. President, may we have order?

The ACTING PRESIDENT pro tempore. The Senate will be in order. The Senator will not proceed until the Senate is in order.

The Senator from Delaware may proceed.

Mr. WILLIAMS of Delaware. Mr. President, in my opinion the surtax should be extended for the full year on the basis of phasing it out at 10 percent for the first 6 months and 5 percent for the next 6 months.

I would much prefer—and I think it would be better procedure—to vote for this as a package, because then we would have solved the problem. However, the Senate has decided otherwise and has

now approved a 6-month extension of the surtax at 10 percent, and I respect the decision of the Senate.

The purpose of the pending amendment is to extend the surcharge for an additional 6 months from January 1, 1970, to July 1, 1970, as has already been approved by the House of Representatives and by the Senate Finance Committee. It is exactly as approved under H.R. 12290, now on the Senate Calendar.

So, what the amendment proposes to do is to put back the other 6 months of the surcharge as it was reported by the Finance Committee.

I do not want to belabor the Senate with the thought of how necessary it is in the opinion of some that Congress should settle this point for once and for all in order to remove this continued uncertainty from the markets and from the country as to what we intend to do.

I again read, the unanimous recommendations of the six former Secretaries of the Treasury. The six—John W. Snyder, George M. Humphrey, Robert B. Anderson, Douglas Dillon, Henry H. Fowler and Joseph W. Barr—made the following statement:

We are joining together to express our firm conviction that the financial health of the nation demands prompt action by the Congress to extend the income tax surcharge for one year. Combined with control of expenditures, this is essential to produce the budgetary surplus so urgently needed to dampen inflation and maintain orderly financial markets.

If inflation continues unabated, we will put into jeopardy the economic prosperity we have all worked so hard to achieve.

The risks of inaction are great:

At home, rising prices—and the expectation of further rises—will create new distortions and inequities that will unbalance our economy.

Businessmen will continue to see their goods priced out of foreign markets as our exports become more expensive. At the same time, they will see this inflation produce a strong demand for imports.

The burden of fighting inflation cannot be left to monetary policy alone. Recent developments carrying interest rates to the highest levels in a century make plain the severe pressures already operating in financial markets.

We recognize that important questions of tax reform remain to be settled at a later date, and we pronounce no judgment on the structural tax changes proposed by the Administration.

But we are united in the conviction that—in the interests of the nation's economic stability and its future prosperity—extension of the surcharge for one year must not be delayed.

I now read what former Secretary Robert Anderson had to say just 2 weeks ago on the same subject:

As we consider our domestic fiscal and monetary policies three thoughts should always be in our minds: (1) The dollar is the most integral part of the world monetary system. (2) The ultimate safety of the dollar and its value does not rest exclusively in our hands but is largely and perhaps finally in the control of those abroad who hold our currency and short term debt. (3) Foreigners who do hold our short term securities have a legitimate interest in how we manage our domestic affairs when the value of our money is involved.

Today the whole world watches what we do about the surtax. It is regarded as a strong indication of whether, as a nation,

we have either the will or the ability to slow the rapid erosion of the currency. . . .

As a nation we want to slow down excessive spending and inflation. We want to avoid the stagnation and fear that uncertainty helps to establish. . . .

Whether we do our utmost to preserve and protect the monetary system essential to our own welfare and the improvement of standards of living here and abroad is now the essential question that is raised by the vote on the surtax.

In the past six months I have twice seen most of the banks and bankers and a great many businessmen of Europe. They are most important to the safety of our dollar and the system of payments and international settlements the dollar supports. This is the life blood of trade and commerce—a major governing force in our exports and balance of payments.

I can assure you that all the people who concern themselves in trying to contribute to the endurance of a sound monetary system for our nation and their nations are focusing on this Congress at this hour to determine whether we elect to act responsibly in our efforts to preserve the dollar's value and the world's economic hopes.

I read what former Secretary Fowler, the immediately preceding Secretary under the previous administration, had to say in a statement made 2 weeks ago in connection with the pending measure:

The risks that are involved in delaying the definitive and final action on the surtax extension are risks that I would hesitate to accept. . . .

The risk at home in an inflationary psychology, instead of being weakened during this period, may be strengthened with the consequence that the risk that wages and prices will accelerate rather than decelerate, that there will be anticipatory buying of plant equipment, goods and services, and that there would be pressure in the monetary market and on interest rates out of the uncertainty as to whether or not Federal financing is going to step in and pre-empt a significant part of the market as would be the case if the surtax were not extended.

We cannot exercise that very necessary ingredient in leadership unless, it seems to me, by the month of September we have this matter of necessary fiscal action behind us.

Mr. PASTORE. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. I yield.

The PRESIDING OFFICER (Mr. GRAVEL in the chair). The Senator from Rhode Island is recognized.

Mr. PASTORE. Mr. President, will not the Senator admit that the 12-month extension, together with tax reform, would better fortify the fiscal position of the Nation both domestically and internationally?

Mr. WILLIAMS of Delaware. All of the Secretaries of the Treasury have gone on record, as I stated, in favor of tax reform.

Mr. PASTORE. I know they have. And so have we. But the fact is that we have not been able to have tax reform, and this is the last clear chance we have.

That is the reason why many of us have voted for the 6-month extension rather than the 12-month extension.

I would be very pleased to vote for the 12-month extension if it were to include tax reform. However, we have had promise after promise after promise. And we have never had tax reform. This is the only chance we have, and that is the



reason why I favor the 6-month extension.

Mr. WILLIAMS of Delaware. The Senator will have to speak on his own time.

Mr. PASTORE. Mr. President, may I have time?

Mr. MANSFIELD. Mr. President, I yield 5 minutes on the bill to the Senator from Rhode Island.

The PRESIDING OFFICER. The Senator from Rhode Island is recognized for 5 minutes.

Mr. PASTORE. Mr. President, do I have the Senator's indulgence to interrupt him on my time?

Mr. WILLIAMS of Delaware. Yes.

Mr. PASTORE. Mr. President, I will make the point again. The thing that disturbs me is not so much the 6 months as against the 12 months. As a matter of fact, I would be for the 12-month extension providing I would have assurance that we are going to have tax reform. There is no Member of the Senate who knows more about the parliamentary gimmicks than does the Senator from Delaware. And he knows that if we dispose permanently of the surtax problem and then treat the tax reform independently, we will have no chance to have tax reform.

The Senator knows that. He has tried to reduce the oil depletion allowance time after time. And the Senator from Rhode Island has supported him. And each time we have been unsuccessful.

All I am saying to those who feel that it is good fiscal policy to have a surtax for 12 months is, let us see how they feel about doing something to help bring about equity and justice to the whole tax structure of the country. That is the question.

We are missing the point entirely. It is not a question of what one Secretary said or what some other Secretary said. I know how they feel about the surtax. I feel the same way myself. The reason why I am for a temporary extension rather than an extension for the full period at this time is that if we go for the extension for the full period, we will never have tax reform.

Mr. WILLIAMS of Delaware. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator from Delaware has 30 minutes remaining.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I will yield in a moment. First, I would like to reply to the Senator from Rhode Island. He has made a very good point.

Mr. President, I am just as much in favor of tax reform as is the Senator from Rhode Island or any other Member of the Senate. I think the time is long past when we should stop making speeches and get down to voting.

I most respectfully suggest to the Senator, however, that I think we are going to have major tax reform because the Democratic Policy Committee, of which he is a member and which controls the U.S. Senate, has firmly promised that such a measure will be before us. I believe them.

However, the Senator is a member of

the policy committee and may be in a better position to judge their sincerity than I am.

I must respectfully remind the Senate that for 8 years the Democratic Party has had control of the Government, and we have not had tax reform yet.

I think it is time that we get busy. Nor am I unmindful of the fact that as a member of the Finance Committee I have seen the members of the past administration come before the Finance Committee and testify against practically every reform that has been suggested to date. I offered most of them as amendments to various tax bills.

I say that the time has come to vote and not have speeches. Speeches do not help the American taxpayers.

I want to be sure, however, that we get positive assurance that the matter will go through the policy committee. I trust them; however, I want to make it clear that if someone on the other side does not trust them he should follow my earlier suggestion that we stop the tax reform package when it comes from the House to the Senate, put it on the calendar, and then move to recommit to the Finance Committee with specific instructions to report back to the Senate on a date certain.

I will support such a proposal. That is the way to get positive assurance, and I will join with the Senator from Rhode Island in that step. However, I would still like to continue quoting the statements of other Secretaries.

While we may all be for and will vote for tax reform, the tax reform will not provide the \$8 billion or \$9 billion a year that we need to restore the government some semblance of fiscal responsibility.

I took the same position toward fiscal responsibility, the Senator from Rhode Island will remember, last year under the preceding administration. I fought just as hard for fiscal responsibility last year as I am fighting here today. I was then supporting the enactment of President Johnson's request for a 10-percent surcharge for a full year. I said that in the face of the \$25 billion deficit we had then and in face of the inflationary psychology building up in our country I felt that for the good of the country we had to pass that bill.

I feel strongly that a similar situation exists today. I believe that the time to vote is when the roll is called and to remove this uncertainty.

I should now like to quote what the Chairman of the Federal Reserve Board, Mr. William McChesney Martin, said on this subject the other day:

I think this is the worst period of inflation that we have had since the end of World War II.

I think expectations of inflation have been built into the economy in a way that has occurred and this has become a part of the psychological deterioration of our budget since early 1965. But I think we are making progress in the present time and what we have been trying to do with monetary policy is to disinflate without having disastrous deflation.

That is a very difficult thing to do and it takes a great deal of balance to keep it in that perspective. Now, this psychological problem has become very real recently and I think we are making progress currently. I

think abroad and in this country there are still skeptics of whether we will be able to do this and carry through. This skepticism will be heightened and not by any sense diminished by any delay that occurs in the surtax....

We are not going to get lower interest rates until we get this inflation under control....

All I want to do is to say amen to what has been said and to say that monetary policy wants to do its part, but without complimentary fiscal policy I think we are going to get into an even more serious quagmire than we are in at the present time. I think it is essential that we disinflate without bringing on a serious deflation.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I promised to yield to the Senator from Florida.

Mr. PASTORE. I have 3 minutes remaining.

I should like to remind the Senator from Delaware that while he and I agree with the statements he has just read, there are Members of the Senate who genuinely and sincerely do not entertain the same alarm. As a matter of fact, we have had galloping inflation all during the time that we have had the surtax on the books. As a matter of fact, it has been worse after the surtax than it was before the surtax. I am not saying that the surtax did it. All I am saying is that the surtax did not completely cure it.

I am one of those who believe, with the Senator from Delaware, that it has a tremendous psychological effect. There is no question about that.

We of the policy committee did not say, "Let us do away with the surtax." We are apprehensive that many Members of the Senate feel that there should be tax reform, and they sincerely feel that if we let this opportunity slip through our fingers at this time, that chance will be lost. Therefore, all the policy committee has done—and the members have been very compromising—first, it was argued that we would go until October 30, and then it was November 30; and then, when our very genial and eloquent minority leader rose on the floor the other day and said he would be willing to subscribe to December 31, we immediately assembled the policy committee again, met jointly with the Committee on Finance, and said that is a reasonable request and we re-adjusted the date to December 31.

I was very much refreshed to see that the minority leader and his son-in-law came along with the promise, but I do not think he was too much successful with the remainder of his group.

So what happened? All we were trying to do here was to get a little assurance that we would get some chance at tax reform. That is all it amounts to.

Mr. President, I happen to be one of those trusting souls who believe that the Democratic Policy Committee, which includes the Senator from Rhode Island as a member, can be trusted, although I admit that he is in a better position than I to evaluate their sincerity.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG. I yield 3 minutes to the distinguished Senator from Florida.



Mr. HOLLAND. Mr. President, the Senator from Louisiana has yielded to me, so I will be proceeding on my time.

The PRESIDING OFFICER. The Senator from Florida has the floor.

Mr. HOLLAND. If I may have the attention of the Senator from Delaware, I thoroughly agree with him that the 5 percent surtax should continue through the first 6 months of the next year. I expect to vote that way when the appropriate time comes. I am sorry that I cannot vote that way now, because I think it is clearly indicated that the only thing we can possibly do today is to accomplish the extension of the 10 percent surtax through the last 6 months of this calendar year.

I am probably as distressed as he is that other features of the bill as reported by the committee are not now involved. I am sorry the investment credit is not involved, because I expect to vote for the repeal of the investment credit. I am sorry that the provision which takes care of some low-income families—I know that my friend the Senator from Montana is particularly interested in that—is not before us so that we can also approve that. I am sorry that the continuation of the excise taxes is not before us. And I am committed to vote for the bill as reported by the committee. The Senator from Louisiana well knows this, because I so advised him when the bill was pending before his committee.

What we are really trying to do is to get something done. While I am not a member of the policy committee and not a party to its maneuvering on the House bill on this subject during the last few days, I just want to make it very clear that I hope we shall get soon to the time when we can accomplish the full scope of that bill as reported.

I hope—and in this respect I differ somewhat from my distinguished friend and seatmate, the Senator from Rhode Island—that there will be no coupling of reform to that bill when it comes up. I understood from the commitments made yesterday by the Senator from Louisiana and the Senator from Montana, the majority leader, that we would have a separate chance to pass upon that tax reduction bill before we got the reform bill which I also expect to support. I shall expect to support the House bill, H.R. 12290, but I am not going to kill the chance of affirmative action today, of accomplishing what is possible and all that is possible at this time, by attaching more amendments to this particular bill.

I regret that I cannot support the Senator on his amendment to attach the investment credit repeal. But there is a time for everything, and this is not the time for those things. I just want to make that clear for the record.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. SCOTT. Mr. President, will the Senator yield?

Mr. LONG. Mr. President, will the Senator yield 30 seconds?

Mr. WILLIAMS of Delaware. I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, I ask unanimous consent that Mr. Tom Vail, the chief of staff of the Committee on Fi-

nance, and one other expert on taxes from the Joint Committee on Internal Revenue Taxation, may have the privilege of the floor to advise Senators on technical matters.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. SCOTT. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. SCOTT. To distinguish pragmatism from fragmatism, I should like to get back to what we are really doing.

Will the Senator advise me at this point: In our proceedings, what we have done is to refuse at this time to phase out the surtax, but to continue it for 6 months, and if we do not adopt the amendment of the Senator from Delaware, then we are refusing to reduce the impact of the surtax next year, and we are refusing to phase out the surtax; and all we are left with is an extension of the 10 percent to the end of the year, plus a number of highly pious and friendly assurances. That is not what the Senator wants to do.

Mr. WILLIAMS of Delaware. To a large extent; yes.

Mr. President, the Senator from Florida has pointed out that he is for extending the surtax the full year. I most respectfully suggest that all he would have to do is to vote for it, and we will have it for the full year. It is now before us in the pending amendment.

There is no question but that the House would prefer the full year extension. They turned down the 6 months once, and they did vote for the full year.

The Senator from Rhode Island raised the question—and I will yield in a moment to other Senators who wish to speak on this matter—that the surtax last year was not as effective an instrument to control inflation as had been expected. That is true. But let us look at some of the reasons why the surtax enacted last year was not as effective a control over inflation as those who pushed for that bill thought it would be.

No. 1, it was enacted a year and a half late. President Johnson first recommended it in January 1967 and again in January 1968. It was not until June 1968, 6 months after the second recommendation, that it was enacted, and that delayed action—

Mr. COOPER. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. WILLIAMS of Delaware. Mr. President, that delayed action had an adverse effect on the economy by adding fuel to the fires of inflation. Then after it was recommended in January 1967, the administration switched signals, and instead of continuing to support the tax increase, which many of us thought had to be enacted in the face of a prospective \$25 billion deficit in fiscal year 1968, they reinstituted the suspended investment credit, which represented a \$3 billion tax reduction and subsidy for industry. That was an inflationary act, and it was recognized by nearly everyone at the time that it would have an adverse effect.

There is another point. After the bill was enacted, even at the late date, the Federal Reserve misjudged the situation and pumped money into the market at an abnormally fast rate. This, too, increased the inflation.

Then on another point, we had the \$6 billion mandatory reduction in expenditures as a part of that bill, but Congress, by its actions, whittled that away and exempted \$4 billion from the expenditure reduction. That went into the economy as increased spending.

Therefore, while it did not achieve all the results hoped for, the question we may well be asked, What would have happened if we had not done it? I will quote only from a former Secretary of the Treasury who was backed up by a former Secretary of the Federal Reserve. They said the American dollar would have gone down the drain if Congress had not enacted the surtax.

This is justifiable, Mr. President. I ask that we remove the cloud of uncertainty and let the American people know what the tax rate is going to be for a full year. That is essential. The question of repeal of the investment credit will be offered separately later on.

Mr. PERCY. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. PERCY. Mr. President, with all due respect to the distinguished Senator from Maryland, I think he underestimates the slowing down effect this surtax has actively had on the economy. We have had a slowdown, as the Senator knows. It is not as much as we might expect and it did not come as quickly as we thought, but we should look at the figures to see if we have not started to reverse the upward-spiraling trend.

The tax surcharge was oversold last year. People talked as if its enactment would produce instant economic stability. It did not and should not have been expected to. We should not now jump to the other extreme and think that the enactment of the surcharge last year had no effect and that its expiration would have no effect.

In fact, there has been a significant change in the economy since the surcharge was enacted. The annual rate of growth of total spending declined from 10.7 percent in the first half of 1968, before the surcharge, to 8 percent in the second half and 7.4 percent in the first half of 1969. The annual rate of growth of total real output declined from 6.6 percent in the first half of 1968 to 3.6 percent in the second half and 2.5 percent in the first half of 1969. This slowing down in the growth of spending and output is the necessary prelude to the slowdown of inflation which we seek and which will come if we continue patiently on the course we have set.

All of this change in the economy was not due to the surcharge, but some it certainly was. We should not conclude that because moving from a budget deficit to a surplus did not solve all our economic problems in 12 months we can now safely move back to a deficit by cutting taxes.

Our experience requires us to be modest in claiming to know just how big the effect of a tax increase or tax reduction



will be, or how fast the effect will come. Still, there is no reason to think that a tax reduction now will be beneficial from the standpoint of inflation and high interest rates. Even recognizing all the uncertainties of economic prediction and prescription, a decision to cut taxes while inflation is still galloping would be a bad gamble.

One reason why the slowdown in spending and output has not yet slowed down inflation is the common expectation that the Government will not stick to its anti-inflationary policy. Many businessmen think they can safely raise prices because they think that Government deficits and easy money will be pumping the economy up again and they will be able to sell all they can produce at higher prices. In the first half of this year major union settlements have called on the average for annual increases of 7 percent in compensation, often for 3 years to come. In construction the increases have averaged 15 percent. Why do workers think they can demand such increases without a big risk of unemployment? How do employers expect to be able to pay them? It is simply because they think that inflation is going to continue at a rapid rate.

By our conduct now in delaying action on the surcharge we are feeding these expectations of more inflation. We are giving substance to the idea that the Government cannot be counted on to take timely anti-inflationary action. Every day that passes builds more inflation into the future and will make later control of inflation more difficult.

The Nation is actually suffering from an epidemic, and its name is inflation. It cannot be controlled by quarantine, because all are infected. It cannot be cured by half measures, especially half measures which ignore the facts of international competition. It will not just go away.

What is the extent and intensity of this epidemic? To equal his buying power in 1939, a worker must earn three times as much in 1969. Even more alarming, the pace of inflation is accelerating. In May 1969, the Consumer Price Index was up 5.4 percent over 1 year ago. In the same period, beef prices had risen 9.2 percent, homeownership costs were up 11 percent, and medical care services were up 8.5 percent. In terms of the 1957-59 dollar the May 1969 dollar was worth 78.9 cents. From March, 1968 to March, 1969, eggs were up 26 percent, insurance and financial services were up 11.6 percent, and mens and boys clothing rose 7.2 percent. The American housewife concerned with raising her family may not be familiar with every statistic, but she knows what life is like at the grocery store checkout counter.

Few things reveal the extent of the inflationary disease and its basic causes more vividly than our declining position in international trade. As inflation has accelerated, our manufactured goods have become less and less competitive in the world market. Since 1958, our imports of manufactured goods have quadrupled while our exports have only doubled. And in recent years, our merchandise trade surplus has dwindled from over

\$7 billion to virtually nothing. Why? One major reason for this disastrous decline is the great disparity between our labor costs and those in competing countries.

It is precisely this fact of world trade competition that limits our options on how to deal with inflation. Our global economy will no longer permit us to rationalize away inflationary wage and price increases as an internal phenomenon that will eventually equalize out.

The labor rate aspect of the problem of inflation is a subject which is understandably avoided by politicians but which now requires frank discussion.

Here is what has been happening. Major labor settlements in the first half of 1969 provided a median wage and benefit increase of 7.1 percent a year. As I said before, the median increase in the construction industry alone was 15 percent.

A close look at construction industry contracts negotiated thus far in 1969 tells the story. In Buffalo a new 3-year contract for 8,500 construction workers resulted in a \$3.35 an hour increase, or 15 to 16 percent a year over the 3-year contract. Laborers alone were up 18 percent a year.

In Philadelphia 10,000 carpenters received a 2-year contract calling for a \$2.71 an hour increase, or 21 percent a year over the 2-year period.

In Dade County, Fla., 1,800 laborers received a new 3-year contract with a \$2.50 an hour increase, or 19 percent a year over the 3 years.

In Detroit 2,500 iron workers received a 1-year contract with a \$1.40 an hour increase, or 20 percent increase over the next year.

In northern Ohio 1,400 carpenters just received an 18-month contract with an increase of \$2.05 an hour, or 21 percent yearly increase.

These statistics, together with other cost increases in land, interest, and materials, throw into great doubt the probability of the United States meeting its housing goals over the next decade.

Labor leaders are understandably negotiating contracts to take into account future expected price increases. In other contract settlements so far this year, in May, Chicago union lithographers gained a wage increase amounting to 20 to 34 percent over a 2-year period; in March 1969, union demands on airlines were settled with a 25.5 percent wage increase; in Buffalo, a recent settlement with the electricians union included a \$3.40 hourly raise, which will bring their wage-fringe payments to nearly \$10 an hour by mid-1971. Productivity increases are nowhere near these levels.

While increases of this kind seem most attractive to those who receive them, they should ask themselves, as we all must ask ourselves, what such settlements are doing to our economy in general, and to the job security of American working men in particular. Unit labor costs are soaring, with May 1969 unit labor cost for manufacturing being the highest on record. In 1968 the increase in hourly compensation outstripped increases in productivity by more than 4 percent.

We are in critical times. In 1970, contracts will be negotiated for close to 6 million workers in major industries. Will any reasonable restraint be exercised? I am not encouraged. The railway clerks have announced wage demands of about \$1.50 per hour; a Teamster's union in the west coast soft drink industry has demanded a "per container royalty" which would mean an estimated \$19,500 per year per employee.

It is difficult to blame the leaders and members of labor unions for wanting more, just as it is difficult to blame business leaders for passing their increased labor costs on to their customers, whenever possible. Yet, sooner rather than later, we must face up to the facts that these inflationary wage increases:

Rob us all of purchasing power;

Pick the pockets of those who are on fixed incomes;

Seriously damage our position in competitive world markets; and

Undermine the job security of American workers.

How should we deal with this corrosive problem? Wage and price controls? I sincerely hope not. The destruction of free collective bargaining and the ending of business decisions made free of government coercion would be a bitter price to pay.

We are all aware of the courageous and constructive steps already taken or proposed in the fiscal and monetary fields. The extension of the surtax, careful control of the money supply, and substantial cuts in Federal spending, among other measures, are essential to success. They are essential, but they are not enough. In the completely free market of classical economics they would probably have been sufficient, but we now live in a different world.

It seems to me that there is another dimension to the problem, an intangible, a human dimension. Recent days have seen the culmination of one of the great enterprises in the history of mankind. Surely the spirit of cooperation, of self-discipline, of restraint and devotion demonstrated by the people of this country in putting our men on the moon, can and should be applied to other great challenges facing the Nation.

What is now needed in the struggle against the disease of inflation is another national commitment, a moral commitment, if you like. A commitment by labor leaders to practice restraint and lead their members responsibly; a commitment by business to hold prices in line; a commitment by workers to produce more and earn every dollar of increased wages, and a commitment by the administration and Congress to do everything in their power to foster productivity, equity, stability, and hold down the cost of Government.

The top bill we are voting on today will not be sufficient to do the job of fighting inflation alone. To subdue inflation will require what has been called a spirit of creative collaboration among business, labor, and government. We dare wait no longer. We need wait no longer. We must act now.

Mr. President, indications I have from many, many businessmen and bankers



that I have talked with in recent days leads me to believe that inflation is as much psychological as anything else. This is why it is very important that the amendment to extend the surtax for 5 percent from January 1 to June 30, 1970 pass, because if we act on this measure for a 6-month period only, the banking community, the business community, labor, and the consumer may not take seriously our intention to stick to the difficult and demanding course we have set to fight inflation. We must eliminate the uncertainty about whether this tax will die at the end of the year. The trend set by the administration to fight inflation is the trend we should keep until the battle has been won.

Mr. President, I shall ask to have printed in the RECORD a series of telegrams I have received today from some of the Nation's most prominent and respected businessmen and from prominent bankers throughout the State of Illinois. Virtually without exception—every one of these deeply concerned, knowledgeable men urge that the surtax be extended, and they mean for a full year—not just a half a loaf, but a full loaf. It would stand as the most concrete indication of our serious intention to meet this problem of inflation headon which is doing such irreparable damage to farmers, consumers, businessmen, working men, retirees, people living on fixed incomes, just to mention a few.

Mr. President, I ask unanimous consent to have printed in the RECORD the telegrams to which I have referred.

There being no objection, the telegrams were ordered to be printed in the RECORD, as follows:

NEW YORK, N.Y.,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

I would respectfully urge support of the President in his request for extension of the surtax, and I would hope for the full year. Uncertainty as to the future does not make for stability in the market place. The fight against inflation has yet to be won, and without the surtax may well be lost. Government must lead this fight and Congress must give it the tools for it to succeed. High regards.

LUCIUS D. CLAY.

Senator CHARLES PERCY:

It is my deep conviction that no issue facing the nation today is more critical than the threat of further inflation. Therefore, I join my associate, Arthur Larkin, President of General Foods, in urging prompt Senate action to extend the surtax on income. The danger to our economic strength which is implicit in today's attack on the value of the dollar is real and present and requires every reasonable step to avert it.

CHARLES G. MORTIMER,  
Chairman, Executive Committee, General Foods Corp.

NEW YORK, N.Y.,  
July 31, 1969.

Senator CHARLES PERCY,  
U.S. Senate,  
Washington, D.C.:

In my judgment, the immediate passage of the surtax is important, first, to reassure the foreign holders of our short term debt that we are resolved to maintain the soundness of our currency and to curb inflation. Secondly, to reassure the market and those who accumulate capital in all walks of life

that we are going to relieve this uncertainty in our fiscal affairs and protect our dollar value. Finally, we want to assure our business and labor leaders that we will continue to have capital accumulation and capital expenditures so as to ensure growth, development and employment. It is periods of uncertainty which cause the postponement of development programs and can seriously and adversely affect our economic growth.

Best regards,

ROBERT B. ANDERSON.

NEW YORK, N.Y.,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate Building,  
Washington, D.C.:

DEAR CHUCK: Surtax is more important to the country and its economic capability for all the needs so plaguing it than the unfortunate politics now in its way. I plead for statesmanship and passage.

FRED R. KAPPEL,  
International Paper Co.

CINCINNATI, OHIO, July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate:  
Senate Office Building,  
Washington, D.C.:

In reply to your telegram this message is to communicate our full support for the extension of the Federal surtax. In our opinion the extension is essential to the economic well-being of the country. It is needed to help curb inflation and to demonstrate our sense of fiscal responsibility to the rest of the world. Unless every effort is made to curtail inflation, we foresee serious economic consequences.

NEIL McELROY,  
The Procter & Games Co.

AKRON, OHIO,  
July 31, 1969.

Senator CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.

The President's surtax program is on the right track in fighting inflation and the best interests of business labor and the consumer will be served by acting favorably now. In my opinion and many others in our shop the cycle of increased wages due to inflation and its accompanying rising prices has already reached a very dangerous point adversely affecting the future well being of all these groups.

E. J. THOMAS,  
Goodyear Tire & Rubber Co.

SAN FRANCISCO, CALIF.,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.

DEAR CHUCK: It is imperative that the surtax be extended as recommended by the President unless inflation is stopped. Business, labor and the consumer will suffer the serious effects of a recession. I urge you to give full support to passage of the surtax measure.

D. J. RUSSELL,  
Chairman, Southern Pacific Co.

TOLEDO, OHIO,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate, Washington, D.C.:

Immediate enactment of surtax important to protect position of outstanding billions of dollars abroad and even more urgent to leave inflationary pressures reflected in skyrocketing wages and explosive prices as well as excessive interest rates here at home. Latter includes cost to government of borrowed money. Witness 110-year record rate of 7.75 percent set yesterday on refunding notes. Continuing uncertainty bound to stem from piecemeal extension of surtax and this distorts timing and stabilization of business

policies and plans. Appreciate your forceful interest.

Personal regards,

HAROLD BOESCHENSTEIN,  
Owens Corning Fiberglas Corp.

NEW ORLEANS, LA.,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senator,  
New Senate Building,  
Washington, D.C.:

Failure to enact surtax in my opinion will: First, simply serve to further increase inflation, attest, the increase steel prices. Second, at some point labor must become more aware of the problems involved, and thirdly, consumer price index would indicate that if inflation is not checked we will hardly be able to escape recession. Most important, the indecision on this surtax to me has been one of the contributing factors to the recent market decline. If the American public has a bad dose of medicine to take I believe they would rather know about it.

Best regards,

ALVIN H. HOWARD,  
Weil Labouisse Friedrichs & Co.

NEW YORK, N.Y.,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.

I take the liberty of urging your support of the re-enactment of the surtax coupled with great efforts to reduce government expenditures. It is imperative that inflation which is doing so much harm to all the people of this country be checked. Greater taxes which would reduce consumer buying power and slow up business expansion, provided these taxes are not spent by the Government but used to create a surplus in the Federal budget, are necessary at this dangerous time. My company and I personally will gladly pay our share of this increased tax as a means of correcting something that is damaging our country now and may be catastrophic in the future unless proper steps are taken to correct the situation. With great respect,

LANGBOURNE M. WILLIAMS,  
Chairman, Executive Committee,  
Freeport Sulfur Co.

SAN FRANCISCO, CALIF.,  
July 31, 1969.

Hon. CHARLES PERCY,  
U.S. Senate,  
Washington, D.C.:

In response to your request for views on the surtax, am convinced that an extension is of urgent importance for both international and domestic reasons.

This extension certainly should be no less than through December 31 and ideally should continue through the first six months of 1970. I accept without reservation the President's statement of July 29 with respect to the surtax as to the effects of inflation on major sectors of the American economy. It is my firm conviction that the consequences of continued escalation in prices would be to erode the international financial and political position of the United States to adversely effect all major sectors of the American economy and to greatly intensify those social problems with which both government and business must deal.

EMMETT G. SOLOMON,  
Chairman of the Board, Crocker Citizens National Bank.

DETROIT, MICH.,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
Senate Building,  
Washington, D.C.:

Doubts concerning continuation of the surtax have already dangerously reinforced popular skepticism as to the government's resolution to press the fight on price infla-



tion to a finish. Inflationary actions based on these doubts aggravate incalculably the difficulty of that goal. Also every added dollar of Treasury deficit from lower tax revenues required a dollar of inflationary deficit financing. I urge an end to this damaging uncertainty by prompt action in continuing the surtax. We know from experiences elsewhere that price inflation is worse than any known alternatives.

ROLAND A. MEWHORT,  
President, Manufacturers National Bank  
of Detroit.

WASHINGTON, D.C.,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

Urge utmost effort to secure immediate extension of surtax to help curb the present rate of inflation which is causing rapidly rising consumer prices, excessive interest rates and damaging wage increases. Uncertainty over surtax compounds these problems, renders business planning difficult and further contributes to a confused economic situation. I cannot overemphasize how important this is to industry.

BIRNY MASON, Jr.,  
Chairman of the Board, Union Carbide  
Corp.

ST. PAUL, MINN.,  
July 31, 1969.

Senator CHARLES H. PERCY,  
U.S. Senate Office Building,  
Washington, D.C.:

It is my hope that the U.S. Senate will immediately enact extension of the surtax, preferably at the present rate of 10 percent with reduction to 5 percent Jan. 1, 1970, followed by expiration June 30, 1970, with fiscal and monetary restraints beginning to show effect in the efforts to control inflation, continuing the surtax is imperative. Soaring interest rates, prices, wages, and the rising cost of living continue to threaten our Nation's economic position and the well-being of all our people. I respectfully request that you and your colleagues give your full support to extension of the surtax because of its prime importance in bringing inflationary pressures under control.

BERT S. CROSS,  
Chairman of the Board and Chief Executive  
Officer.

NEW YORK,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
New Senate Office Building,  
Washington, D.C.:

The continued strength of inflationary pressures, despite the strong fiscal and monetary measures which have been in effect for a number of months, points to the urgent need for immediate action to extend the surcharge. Such action will allow further time in which the corrective forces working on the economy may have their results and will also demonstrate internationally that we intend to maintain the strength of our economy and our currency. The proposed program of progressive reduction in the surcharge will also require increased restraint in Federal expenditures. I therefore hope that the Senate can complete action on the House-approved bill immediately. I fully agree that tax reform should be given a very high priority, but I strongly urge that major tax legislation should only be enacted by Congress after further careful analysis.

M. L. HAIDER,  
Standard Oil Co. of New Jersey.

JULY 31, 1969.

Senator CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

Those of us who have long advocated the extension of the surtax and believe strongly

the surtax is a necessary measure against inflation and essential to the well being of the Nation are encouraged by reported agreement in the Senate to extend surtax at 10 percent for six months. We also strongly urge a second six month extension at the tapering off rate of 5 percent.

MORGAN TRANSFER Co.

SARASOTA, FLA.,  
July 31, 1969.

Senator CHARLES H. PERCY,  
Washington, D.C.:

Immediate enactment of surtax is absolutely vital to sound fiscal and economic policy.

FREDERICK H. MUELLER,  
Former Secretary of Commerce.

ST. LOUIS, MO.,  
July 31, 1969.

Hon. CHARLES H. PERCY  
Senate Office Building  
Washington, D.C.:

Extension of the surtax is vital as one of the tools to help cool our inflationary economy. Our deteriorating position in balance of trade is going to accelerate and put further pressure on balance of payments as we are slowly pricing ourselves out of world markets as the rate of inflation is not being offset by productivity or technological improvement.

CHARLES H. SOMMER,  
Monsanto Co.

GREENSBORO, N.C.,  
July 31, 1969.

Hon. CHARLES PERCY:

Strongly urge and support extension of surtax for the six months period. Many unknowns fiscally both here and in international money markets. Highly desirable in my opinion to show this fiscal responsibility.

CHARLES F. MYERS, Jr.,  
Chairman, Burlington Industries Inc.

JULY 31, 1969.

Urge members of U.S. Senate, place national interests above partisan considerations and extend 10% surtax through December 31, 1969 and continue surtax at 5% level for 6 months following January 1, 1970.

CHARLES P. MCCORMICK,  
Chairman of the Board, McCormick Ink  
& Company, Inc., Baltimore, Md.

RICHMOND, VA., July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

I sincerely hope that you can support the currently proposed six month extension of the surtax because I believe that some action in this area is needed now to fight inflation. At the same time I urge you to strongly resist coupling the surtax extension with the repeal of the investment credit which is as necessary to keep United States business competitive in world markets as halting inflation.

RICHARD S. REYNOLDS, Jr.,  
Chairman of the Board, Reynolds Metals  
Co.

WORCESTER, MASS.,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

Urge immediate enactment of surtax with reduction next year. This is the major method Congress has in halting inflation.

MILTON P. HIGGINS,  
Chairman, Board of Directors, Norton Co.

BOSTON, MASS.,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

I earnestly urge continuation of the Federal surtax for as long as Vietnam war con-

tinues and significant minorities question our national resolve to tackle threatening domestic problems.

LOUIS W. CABOT,  
Chairman of the Board, Cabot Corp.

CLEVELAND, OHIO,  
July 31, 1969.

Hon. CHARLES PERCY,  
U.S. Senate,  
Washington, D.C.:

Inflation is the real danger in this country affecting all business, labor and the consumer. Immediate reenactment of the surtax is the most important contribution Congress could make to the country's welfare.

GEORGE H. LOVE,  
Hanna & Co.

CINCINNATI, OHIO, July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

We urge the prompt extension of the surtax as an essential notice to the nation that America means to halt the inflationary spiral that is presently eroding the consumers purchasing power. We believe the enactment of the surtax to be probably the most important step in the stabilization of prices, labor, and costs. In our judgment extension of the surtax coupled with Federal frugality will do a lot to put our fiscal house in order.

RALPH LAZARUS,  
Chairman, Federated Department Stores.  
FRED LAZARUS, Jr.,  
Chairman, Executive Committee, Fed-  
erated Department Stores, Inc.

CLEVELAND, OHIO,  
July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate Office Building,  
Washington, D.C.:

Congress will do irreparable damage to the economy if it fails to extend the surtax for 12 calendar months as requested by President Nixon. Inflation must be slowed to keep American industry competitive in worldwide competition.

Loss of this position will cause high unemployment and great damage to the consumer. I urge immediate enactment of the surtax to avoid these consequences.

Sincerely,

G. W. HUMPHREY,  
Chairman of the Board, the Hanna  
Mining Co.

THE LANE CO., INC.,  
Alta Vista, Va., July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senator,  
Washington, D.C.:

While I don't like to pay taxes any better than any one else, I think reducing our inflation to produce a sound dollar is one of the most important things we can do. Therefore, I am for renewing the surtax as per the President's recommendation.

E. H. LANE,  
Chairman.

FAIRCHILD PRINTING SERVICE, INC.,  
Bensenville, Ill., July 30, 1969.

Hon. CHARLES H. PERCY,  
Senate Building, Washington, D.C.:

Tight money has caused sharp drop in orders. The surtax will not curb inflation. With union wage demands even higher, try for compromise at five percent.

MR. BURTON FAIRCHILD.

MONTANA POWER Co.,  
Butte, Mont., July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senator,  
Washington, D.C.:

I believe that inflation is our Nation's most serious domestic problem, but that very important progress now is being made to halt its erosive effects. Failure to extend the sur-



tax would nullify the progress being made, would stimulate inflation, would adversely affect the cost of living, the building of new houses and the ability of the consumers of America to buy what they require. I urge you to favor the continuation of the surtax.

JOHN E. CORETTE,  
Chairman.

CINCINNATI, OHIO,  
July 31, 1969.

Senator CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

Immediate enactment of surtax necessary to help stop inflation which is the major problem facing the Nation today. Labor, business, consumers, and Government all are being damaged seriously by rapidly increasing prices. Recommend immediate passage of the President's bill.

JOSEPH B. HALL.

SENCORE, INC.,  
Addison, Ill., July 30, 1969.

Hon. CHARLES PERCY,  
Senate Office Building,  
Washington, D.C.:

Tight money has caused new booked orders to drop drastically for past month. I fear over correction of economy and concern that surtax will not curb inflation as long as union leaders get settlements they are now getting. Strongly suggest not reinstating surtax or to compromise at 5 percent level.

HERB BOWDEN,  
President.

GENERAL FOODS CORP.,  
July 31, 1969.

Senator CHARLES PERCY,  
New Senate Office Building,  
Washington, D.C.:

On behalf of management of General Foods Corporation I wish to advise you of our continuing conviction that extension of the income surtax is in the best economic interest of the whole Nation. Despite added burden that surtax implies for our corporation and for all of us as individuals, we agree with President Nixon that enactment is imperative to prevent still higher living costs and further erosion of the dollar. We are particularly sensitive to rising cost of living because of our direct interest in food prices and we believe that all reasonable steps must be taken to ease inflationary pressures. Consequently we hope the Congress will act promptly and decisively on this crucial issue.

ARTHUR E. LARKIN, Jr.,  
President.

CONTINENTAL ILLINOIS  
NATIONAL BANK & TRUST CO.,  
Chicago, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

We believe that the need for immediate enactment of the surtax extension is imperative to curb inflation and assure the stability of the dollar. Prompt congressional action will serve to dissipate the inflationary expectations which are prevalent in the minds of many members of the business community and the consuming public.

DONALD M. GRAHAM,  
Chairman.

CENTRAL NATIONAL BANK  
OF CHICAGO,  
Chicago, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

Respectfully urge upon you and all Members of the Congress enactment of the surtax extension today. The need to curb inflation as the number one order of domestic business seems too clear to require further comment. Without it, no effort to protect the working man in the value of his labor,

or the consumer in the solvency of his household can succeed. The surtax is clearly the cornerstone of both economic and psychological evidence that this vital job will be done. I am firmly convinced that failure to extend it today will be universally taken as a clear signal that runaway inflation will continue to be our way of life and will lead to an uncontrollable surge to anticipatory inflation throughout the economy. This is the time to say we mean it, and surtax extension is the way of saying it.

ROBERT I. LOGAN,  
President.

NATIONAL SECURITY BANK,  
Chicago, Ill., July 31, 1969.

Hon. CHARLES PERCY,  
U.S. Senate,  
Washington, D.C.:

I am strongly in favor of the extension of the surtax and agree with the President's statement with respect to the importance of this action as it effect the general economy of this country.

HARRY F. PAVIS.

MID CITY NATIONAL BANK,  
Chicago, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

For sound economic and military policy essential to pass appropriation for ABM extend surtax for 12 months.

E. M. BAKWIN,  
President.

CITY NATIONAL BANK OF KANKAKEE,  
Kankakee, Ill., July 31, 1969.

Senator CHARLES PERCY,  
U.S. Senate,  
Washington, D.C.:

Trust that you and your colleagues will vote for surtax extension today. Seems to us that Government can show that it is exercising fiscal responsibility to our citizens as well as the world by passage. Almost to a man our customers complain about our inflationary economy. My personal opinion is that failure to extend surtax will aggravate an already bad situation.

DON R. FRANK,  
President.

THE NORTHERN TRUST CO., CHICAGO,  
Chicago, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senator,  
Washington, D.C.

DEAR SENATOR PERCY: We urge you to press for extension of the ten percent surtax. Continuation of this legislation is essential if administration efforts to contain inflation are to be effective. We consider the danger of uncontrolled inflation the most critical problem facing business and labor.

Sincerely,

EDWARD BYRON SMITH,  
Chairman of the Board.

CITY NATIONAL BANK.,  
Metropolis, Ill., July 31, 1969.

Senator CHARLES H. PERCY,  
Senate Building,  
Washington, D.C.:

Our present inflationary trend must be permanently halted monetary restraint is not enough and at present levels is too severe on many sectors of our economy.

Fiscal policy must continue to be such to show dramatically and internationally for determined efforts to get our economy house in order.

Continued inflation in U.S. has grave financial and economic consequences world wide.

Surtax would be continued to re-assure our economic allies abroad of our desire to combat inflation and to reestablish international monetary stability.

We certainly should move as quickly as possible towards tax reforms but for the sake of our economy sur-tax extension cannot wait.

Opinion of banker of 50 years experience.  
LYNDELL W. STUGGIS,  
President.

STATE NATIONAL BANK,  
Evanston, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

Immediate extension of the surtax is necessary to combat inflation. Lack of fiscal irresponsibility caused our present problems. Please show some fortitude now.

ROBERT HUMPHREY,  
President.

FIRST ARLINGTON NATIONAL BANK,  
Arlington Heights, Ill., July 31, 1969.  
Senator CHARLES A. PERCY,  
Senate Office Building,  
Washington, D.C.:

Failure to pass surtax at this juncture would be interpreted by business community as retreat from administration position. In fight on inflation price increases not yet slowed much less arrested. Tight money makes no appreciable dent in demand for money to expend. Consider surtax passage crucial.

DOUGLAS W. DODDS.

SPRINGFIELD MARINE BANK,  
Springfield, Ill., July 31, 1969.

Senator CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

Tremendously important to enact surtax. If the current acceleration of inflation at better than a 4% rate is not checked, business, labor, farmers and the consumer will suffer. Without a strong fiscal and monetary stand, it seems to me, the only answer will be enactment of stringent credit, wage and price controls.

Sincerely,

WILLARD BUNN, Jr.,  
President.

DOWNERS GROVE NATIONAL BANK,  
Downers Grove, Ill., July 31, 1969.

Senator CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

We strongly urge immediate passage of bill to continue the surtax. At last we are making an honest effort to cure the economic disease, don't stop the medicine at the first sign of recovery. Let's go for the total end of deficient spending and reduction of debt. We concur complete with President Nixon's statement of yesterday on this subject.

WILLIAM WESTRUP,  
President.

NATIONAL BOULEVARD BANK OF CHICAGO,  
Chicago, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

Strongly endorse continuance of surtax as requested by President. Tax urgently needed to stabilize money markets and in battle to control inflation so damaging to consumers, labor, and business.

H. W. WANDERS,  
President.

STATE BANK,  
Glenview, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.

DEAR MR. PERCY: Urge that the Senate extend the surtax immediately in order to retard inflation which is a threat to all consumers and eventually will bring about a precipitous decline in business.

JOHN H. EEAULIEA,



FIRST TRUST & SAVING BANK,  
Taylorville, Ill., July 31, 1969.

HON. CHARLES H. PERCY,  
U.S. Senator,  
Washington, D.C.:

Continuance of surtax mandatory to help curb devastating inflation. Erosion of the dollar penalizes farmer, small business man and ultimately labor. Consumers especially retired on fixed income seriously injured. Surtax must be coupled with fiscal responsibility and cutback in Government spending or surtax may have negative effect.

W. B. LARSEN,  
President.

THE FIRST NATIONAL BANK OF PEORIA,  
Peoria, Ill., July 31, 1969.

HON. CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

We urge you to vigorously support extension of the surtax as recommended by the administration. Inflation is our country's greatest enemy and it is about to overwhelm our economy with disastrous impact to business, labor, farmers and the consumer. Failure to support the surtax extension would be unwitting sabotage to what should be an all out national cause.

JAMES L. JOHNSON,  
President.

CHICAGO, ILL., July 13, 1969.

HON. CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

The need to control inflation through sound monetary and fiscal policies is a matter of top national priority. Monetary controls through the banking system cannot do the job alone. The immediate enactment and continuance of the 10% surtax, along with control and reduction of Government expenditures, will prevent the continued increased cost of living and restore confidence in the dollar. We urge your support of sound Government fiscal policies.

LASAPLE NATIONAL BANK.

EDGEMONT BANK & TRUST CO.,  
Belleville, Ill., July 31, 1969.

Senator CHAS. PERCY,  
Senate Office Building,  
Washington, D.C.:

I favor extension of surtax. If this is not done I am fearful of the inflationary results.

CHAS. L. DAILY,  
President.

ALTON BANKING & TRUST CO.,  
Alton, Ill., July 31, 1969.

HON. CHARLES PERCY,  
U.S. Senate Building, Washington, D.C.:

Inflation is the number one enemy of this country and the enactment of the surtax is vital to the well being and security of every American. Preservation of the purchasing power of the dollar at or near present level must be maintained. Savings of millions of our countrymen are at stake. Please do all you can to stop dead in its tracks this insidious monster (inflation) bent on destroying all that the people of this country have worked and struggled to achieve.

LAWRENCE KELLER,  
President.

FIRST GRANITE CITY NATIONAL BANK,  
Granite City, Ill., July 30, 1969.

Senator CHARLES H. PERCY,  
Senate Office Building, Washington, D.C.:

It is not possible to overstress the importance of extending the 10 percent surtax along the lines requested by President Nixon. Failure of Congress to do this would without question result in an inflationary upsurge which could be fatal to our economy. I strongly endorse an intelligent approach to tax reform but this cannot be on a crash

basis. I am convinced that the Nixon administration is firmly committed to tax reform and will do everything in its power to assist in the passage of an equitable bill. Please urge your associates in the Senate to "stop playing politics with the life savings of the people they represent."

PAUL H. LICHTENBERGER,  
President.

SPRING VALLEY CITY BANK,  
Spring Valley, Ill., July 31, 1969.

Senator CHARLES H. PERCY,  
Washington, D.C.:

Imperative that Congress pass extension of the surtax in order to sustain the fight against inflation.

R. J. LUTHER,  
Vice President.

CANTON STATE BANK,  
Canton, Ill., July 31, 1969.

Senator CHARLES PERCY,  
Senate Office Building,  
Washington, D.C.:

We urge the enactment of the surtax immediately.

C. C. MASON,  
President.

ELMHURST NATIONAL BANK,  
Elmhurst, Ill., July 31, 1969.

Senator CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

Urgently request immediate enactment of surtax extension the curse of inflation is almost unbearable to all segments of the economy.

DONALD M. CARLSON,  
President.

STATE BANK OF FREEPORT,  
July 31, 1969.

Senator CHARLES H. PERCY,  
U.S. Senate, Washington, D.C.:

An immediate enactment of the surtax is most important now to lessen the chance of further inflation. Our momentum of inflation is now reaching alarming proportions and must be slowed to avoid disaster later. The only real serious attempt to cut inflation however will be governments leadership in cutting their own expenditures.

EVERETT L. WRIGHT,  
President.

EXCHANGE NATIONAL BANK OF CHICAGO,  
July 31, 1969.

Continuation of the surtax imperative. Inflation has reached record-breaking proportions and monetary policy alone simply cannot do the job necessary to reverse it. Sky high interest rates and tight credit are badly hurting small businesses, housing, and state and municipal improvements, but the imbalances they cause are damaging to the entire nation. Failure to extend surcharge would make such distortion even worse.

SAMUEL WILLIAM SAX,  
President.

FIRST NATIONAL BANK,  
Centralia, Ill., July 31, 1969.

Senator CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

Out of town yesterday, hope statement still useful. Strongly urge Senate approve immediate enactment of surtax as recommended by President. Agree with Representative Hale Boggs that Democratic leadership of the Senate should not play a game of brinkmanship with this crucial fiscal measure. Business, labor, farmers and consumers can ill afford continuation of inflation at present rate. Enactment of surtax will help slow down present inflationary spiral.

BEN OBER,  
President.

SOUTHSIDE TRUST & SAVINGS BANK,  
Peoria, Ill., July 30, 1969.

Senator CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

Continued inflation will cause our areas largest employer to lose sales in the international market thus causing wide spread economic hardships in Peoria. The farmers are already hurt by this inflation. A great majority of our senior citizens have had to lower their standard of living because of inflation. The continuation of the surtax is a must and I hope you will do everything in your power to see that it does continue.

Very sincerely,  
WILLIAM R. WARD,  
President.

COMMERCIAL NATIONAL BANK,  
Peoria, Ill., July 30, 1969.

Senator CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.

DEAR CHUCK: Letting surtax die would be an act of political delinquency, a substitution of narrow partisanship for statesmanship. Inflationary psychology is still rampant in downstate Illinois. People don't believe the government means it. Consequences of overbraking are real but not nearly as disastrous as releasing brakes too soon. Small business men including farmers already are pressed, cannot pass inflationary costs on, increasing the probabilities of failure. Retired people and public employees are being seriously victimized by inflation. Strongly urge support of President Nixon's plan for extension of the surtax.

DAVID E. CONNOR,  
President.

MILLIKIN NATIONAL BANK,  
Decatur, Ill., July 30, 1969.

HON. CHARLES H. PERCY,  
U.S. Senate Office Building,  
Washington, D.C.

DEAR MR. PERCY: An urgent line to encourage your support of continuing the income surtax. Our over-stimulated, over-inflated economy is starting to show early signs that the tax and other measures are starting to be effective. Consider this tax imperative to assist in the staunching of the inflationary trends in the economy.

Respectfully,  
RAY G. LIVASY,  
President.

ST. CLAIR NATIONAL BANK,  
Belleville, Ill., July 30, 1969.

Senator CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR PERCY: We strongly wish your support for immediate extension of the surtax as proposed by President Nixon as imperative to the stability of the economy and the exercise of fiscal responsibility. To allow this measure to expire would have serious effects on all phases of the economy and would further worsen an already tense situation as to business, labor, farming, and consumers. Also enactment at once would certainly further international understanding of financial developments of United States and Western Europe. It will assist in restraining inflation in the United States and restoring equilibrium in balance of payments.

HAROLD KNOLLHOFF,  
President.

GRANITE CITY TRUST & SAVINGS BANK,  
Granite City, Ill., July 30, 1969.

Senator CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.

We urge immediate enactment of the surtax.

Every facility of our economy is dependent upon retardation of inflation. Our industrial



community, including labor, business and farmers, are all adversely affected and it is high time that we recognize the imperative necessity to put an end to inflation.

This is a fight that we must win for the good of all.

Sincerely,

ERNEST A. KARANDJEFF,  
President.

ELLIOTT STATE BANK,

Jacksonville, Ill., July 30, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senator,  
Washington, D.C.:

We urge immediate enactment of the surtax; agree wholeheartedly with the President's statement of July 29, 1969. We cannot believe the Senate would be so irresponsible as to let partisan politics stand in the way of the good of the country.

GILBERT H. TODD,  
Vice President.

FIRST BANK & TRUST Co.,  
Cairo, Ill., July 30, 1969.

Senator CHARLES H. PERCY,  
U.S. Senate Building,  
Washington, D.C.:

We are concerned about the continued inflationary trend in our economy which is putting unbearable pressure on certain segments of our economy, especially farmers, small businessmen and older citizens. We urge immediate enactment of the surtax.

R. N. TAAKE, Jr.,  
President.

DIXON NATIONAL BANK,  
DIXON, ILL.,  
July 30, 1969.

Hon. CHARLES H. PERCY,  
Capitol Building,  
Washington, D.C.:

Urge immediate inactment of the surtax, believe the need is great to settle inflation and without passage all business, labor, farmers, and consumers will be drastically affected and conditions could become chaotic. Immediate passage could help in the settlement of interest rates, markets and so forth. Urge you use all your efforts in behalf of everyone for this cause.

DONALD R. LOVETT,  
President.

TOWN & COUNTRY BANK,  
Springfield, Ill.,  
July 30, 1969.

Senator CHARLES H. PERCY,  
U.S. Senate,  
Washington, D.C.:

Retention of the surtax is vital in the fight against inflation. Inflation is working an extreme hardship on retired pensioners, small businessmen and farmers. Rising cost due to inflation are outpacing incomes.

Sincerely,

HENRY KIRSCHNER,  
President.

COSMOPOLITAN NATIONAL BANK,  
Chicago, Ill., July 30, 1969.

Senator CHARLES H. PERCY,  
Washington, D.C.:

Continuation of the income tax surcharge is imperative to help control the harmful effects of runaway inflation. I strongly urge your support of legislation extending the surtax for at least 1 year.

DONALD D. MAGERS,  
President.

JEFFERSON STATE BANK OF CHICAGO,  
Chicago, Ill., July 30, 1969.

Hon. CHARLES H. PERCY,  
Senate Office, Washington, D.C.:

Urgent that the Senate pass the extension of the surtax in order to help prevent further inflation and erosion of the U.S. dollar. The high cost of living and the ever increas-

ing cost of labor must be controlled to preserve our economic.

Sincerely yours,

BERNARD FEINBERG,  
President.

FIRST NATIONAL BANK & TRUST Co.,  
Alton, Ill., July 30, 1969.

Hon. CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

Surtax continuation without tax reform. Inflation must be stopped. Alternatives are controls or spiraling costs, either of which is untenable. Surtax action need now. Reforms need much more consideration.

M. RYRIE MILNOR,  
President.

FIRST NATIONAL BANK,  
Lake Forest, Ill., July 30, 1969.

Senator CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

Delighted to hear that agreement has been reached to extend surtax for six months.

FRANK S. READ,  
President.

CHICAGO TITLE & TRUST Co.,  
Chicago, Ill., July 31, 1969.

Senator CHARLES H. PERCY,  
New Senate Office Building,  
Washington, D.C.:

I believe that enactment of continuation of the surtax vitally important in restoring price stability. Every effort should be made to maintain fiscal responsibility and prevent further dislocations in the economy. I urge passage of this important legislation.

PAUL W. GOODRICH,  
Chairman of the Board.

O'HARE INTERNATIONAL BANK,  
Chicago, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

We are delighted to hear that an agreement has been reached to extend the surtax. That action will do much to slow down inflation and may help to stabilize interest rates which will stimulate the housing industry.

NILS JACOBSON,  
President.

FIRST NATIONAL BANK,  
Waukegan, Ill., July 31, 1969.

Senator CHARLES PERCY,  
U.S. Senate,  
Washington, D.C.:

We strongly urge immediate enactment of surtax extension. Coupled with this there must be severe reduction in governmental spending.

CHAS. M. STEELE,  
President.

NATIONAL BANK & TRUST Co.,  
Chicago, Ill., July 31, 1969.

Senator CHARLES H. PERCY,  
Senate Building,  
Washington, D.C.:

Strongly recommend immediate enactment of extension of surtax. The fight against intensifying inflationary pressures, fueled by increasing prices and wage settlements requires total restraining effort of both monetary and fiscal policy. The apprehension caused in minds of business, labor and consumer as spiraling prices continue upward requires an increased effort on part of Congress to enact and maintain legislation that will begin to combat existing inflationary psychology. Abandoning one of the basic economic tools, that of fiscal restraint, on the basis that its effect on the economy has been slow to take hold is not a valid reason to permit the surtax to expire at this time and intensify the already critical monetary pressures. Furthermore the removal of the surtax

would amount to an expansionary fiscal policy and contribute to existing inflationary trends now endangering this country's longer term economic growth.

ALLEN P. STULTS,  
President.

FIRST NATIONAL BANK,  
Maywood, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senator,  
Washington, D.C.:

If the surtax will help inflation, pass it. Rising wastes are increasing inflation pressure. Sooner or later labor must stop asking for increases. The consumer is really feeling the pinch of inflated prices and will be making himself felt by controlling buying.

LOUIS E. NELSON,  
President.

EXCHANGE NATIONAL BANK,  
Chicago, Ill., July 31, 1969.

Hon. CHARLES PERCY,  
U.S. Senate,  
Washington, D.C.:

Continuation of the surtax imperative. Inflation has reached record breaking proportions and monetary policy alone simply cannot do the job necessary to reverse it. Sky-high interest rates and tight credit are badly hurting small businesses, housing, and State and municipal improvements but the imbalances they cause are damaging to the entire Nation. Failure to extend surcharge would make such distortions even worse.

SAMUEL WM. SAX,  
President.

FIRST NATIONAL BANK,  
Evergreen Park, Ill., July 31, 1969.

Senator CHARLES PERCY,  
Senate Office Building,  
Washington, D.C.:

In our opinion it is extremely important to maintain the surtax in order to curb inflation because of the necessity of establishing a fiscal policy that will balance income and outgo for our national economy. It can only be attained by a continuation of restriction by everyone. The cruelest tax to mankind is inflation, and the surtax at the present time is the best alternative.

MARTIN OZINGA, Jr.,  
President.

FIRST NATIONAL BANK,  
Skokie, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
U.S. Senator,  
Washington, D.C.:

Urge you vote at this time favor enactment of extension of surtax. Our country's financial stability requires that we maintain sound fiscal and monetary policies. Reenactment of the surtax is such a step—vote for it. To permit the surtax to lapse without any measures to implement its purposes may release forces that would not be in the best interests of our national economy, both at home and abroad.

Sincerely,

W. C. GALITZ,  
President.

WILMETTE STATE BANK,  
Wilmette, Ill., July 31, 1969.

Hon. CHARLES H. PERCY,  
Senate Office Building,  
Washington, D.C.:

Imperative my judgment that the surtax be extended through December 31. Failure to enact surtax extensions would be fiscal irresponsibility and would place undue burden on monetary authorities in their fight to slow inflation rate. All segments of economy including labor and consumers are being adversely affected by steadily rising rate of inflation which is nothing more than insidious indirect taxation.

H. L. EDWARDS,  
President.



Mr. WILLIAMS of Delaware. Mr. President, I thank the Senator. In just a moment I am going to yield to the Senator from Utah, who has been very patient, but first I wish to comment on what the Senator from Illinois has said.

Only yesterday our Government paid 7.75 percent interest in refinancing its debt on an 18-month note. Something must be done. This is not my opinion only. I repeat that the unanimous opinion of every living Secretary of the Treasury, every one of them, was that Congress should face up to this situation and make its decision on the surtax, not for 6 months but for 1 year. Certainly Congress has a responsibility to do so. Let us make that decision now so that not only this country but the world will know that we really mean business, that we are going to control inflation, and that we can correct this inflation psychology. I think it is very important for us to act and to act today.

How much time does the Senator from Utah request?

THE PRESIDING OFFICER (Mr. GRAVEL in the chair). The Senator from Delaware has 12 minutes remaining.

Mr. BENNETT. Mr. President, will the Senator yield to me for 3 minutes?

Mr. WILLIAMS of Delaware. I yield 3 minutes to the Senator from Utah.

Mr. BENNETT. Mr. President, it distresses me to hear members of the other party express their lack of faith in their own leadership. There is a tax reform bill almost at the door. It has been agreed to by the House Ways and Means Committee. The program by which it will be passed through that House in the next week or so has been announced; and I believe the leaders over there will carry out that program.

The way this message comes across to me is that the tax reform is 5 years away, or 10 years away. The bill will be here, certainly, before we begin our recess.

It distresses me to hear the expressions of lack of faith in the chairman of the Committee on Finance, because he has assured them over and over again that as soon as that bill comes over, the committee will pay attention to it and go to work on it.

The other party controls the Committee on Finance. The other party can set the schedule. The other party can set the pace at which that tax bill will come out.

The inference I get from that argument is that, "It is you Republicans who are preventing us from considering tax reform and until you break down and let us consider tax reform, we have to hold out on you on this extension of the surtax."

I have never heard any indication from the other side that even when we get into the subject of tax reform they will consider a further extension of the surtax.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield 2 minutes to the Senator from Rhode Island.

Mr. PASTORE. Mr. President, no one made that accusation. We do not believe the Republicans were blocking tax

reform. But the Senator will have to admit that it has been the action of the policy committee of the Senate that somehow has prompted the House to act a little more expeditiously in the last few weeks than before then, and that is exactly the point.

The PRESIDING OFFICER. The time of the Senator from Utah has expired.

Mr. BENNETT. Mr. President, will the Senator yield to me for 1 additional minute from the other side so that I may respond to the Senator from Rhode Island?

Mr. PASTORE. I understand I have a minute and a half left.

The PRESIDING OFFICER. Who yields time?

Mr. BENNETT. Mr. President, will the Senator yield to me for 3 minutes?

Mr. WILLIAMS of Delaware. I yield to the Senator for 3 additional minutes.

Mr. BENNETT. Mr. President, I said it was my impression that this was the way. I am perfectly willing to give the Democratic senatorial policy committee credit for hurrying the House, but the fact is they have hurried. The bill is right on the edge.

I have learned that the chairman of the Committee on Finance indicated that maybe he is going to keep the committee here over the recess to make us work on this tax reform bill. So I do not think that as of today there is a very valid reason for saying that the Senate is being denied the opportunity to consider tax reform, and that, therefore, we must have only one-half loaf on this extension of the surtax.

I am as concerned as the Senator from Delaware about the uncertainty our action today will create and the uncertainty that will be created again in October or November when we come back to face the question of whether or not we will, in fact, have another 6-month extension. The men in business who have to make basic decisions, certainly further in advance than 6 months, have now no basis on which to make those decisions.

The stock market has reacted and I think will react to this thing we are seeing here today. I do not know what effect it will have on the September meeting of the International Monetary Fund when they come here to discuss the new drawing rights program. We have told the world that we are unable or unwilling to consider the longrun policy of the United States. We are going to take it literally a day at a time in terms of important time to make plans. It is for that reason I voted against the 6-month extension and will certainly vote, now, to carry out the program recommended by President Nixon to add an additional 6 months at 5 percent.

Mr. MANSFIELD. Mr. President, I yield 2 minutes to my distinguished colleague from Montana.

The VICE PRESIDENT. The Senator from Montana is recognized for 2 minutes.

Mr. METCALF. Mr. President, I voted for the Long amendment. I am not going to vote for a bill, I am not going to vote for an extension of the surtax, until we have tax reform. I think it is dishonest and immoral when all of us, from the

President on down, acknowledge that we have an inequitable and unjust tax system, to say that we will extend the surtax and compound the inequity for another year.

I am perfectly willing to vote for a surtax after we have tax reform.

I can say to the Senator from Utah that the international bankers can take scant solace from the vote we have had here, and the vote which I cast on the last vote, to declare our position for tax reform so far as the surtax is concerned. If the Senator will permit us to get a tax reform measure through, I predict that we will have a unanimous or well-nigh unanimous vote on a surtax continuation.

The only proposition that I am suggesting is that we must have tax reform before we invoke and impose upon the people of America another surtax which will not do anything to those who pay no tax whatever. Ten percent of no tax is nothing. But, 10 percent of an inequity is compounding an inequity. That is the only proposition that we are confronted with today.

Mr. WILLIAMS of Delaware. Mr. President, I am very glad to welcome the distinguished junior Senator from Montana. In fact, I was just sitting here basking in his enthusiasm when he said that we are going to have tax reform unanimously passed by the Senate. As one who for years has been trying to correct the inequities, such as the depletion allowance, I am delighted to welcome the Senator as a convert to that proposal. I will join him, and he and I will be marching down the aisle towards the cutting of the depletion allowance and a real tax reform. I am delighted to welcome the Senator to our side.

Mr. METCALF. Well now, Mr. President, if the Senator will yield, the Senator has made the suggestion. Let me say that this Senator has been as active for tax reform as has the Senator from Delaware.

Mr. WILLIAMS of Delaware. I know that.

Mr. METCALF. I have introduced bills—

The VICE PRESIDENT. Who yields time?

Mr. METCALF. The Senator does not have to welcome me as a new advocate of tax reform.

Mr. PROUTY. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield 3 minutes to the Senator from Vermont.

The VICE PRESIDENT. The Senator from Delaware has the floor.

Mr. METCALF. Who has the floor? The Senator has yielded to me.

Mr. WILLIAMS of Delaware. I do not have to. [Laughter.]

Mr. METCALF. The Senator does not have to welcome me as a convert to tax reform.

The VICE PRESIDENT. The Senator from Delaware has the floor.

Mr. METCALF. Has not the Senator yielded to me?

Mr. WILLIAMS of Delaware. I have yielded to the Senator from Vermont.

The VICE PRESIDENT. The Chair inquires of the Senator from Delaware,



how much time has he yielded to the Senator from Vermont.

Mr. WILLIAMS of Delaware. Three minutes, Mr. President.

The VICE PRESIDENT. The Senator from Vermont is recognized for 3 minutes.

Mr. PROUTY. Mr. President, I think that one thing should be recognized at the outset, and that is that the greatest impact on present inflation falls upon those in the low-income brackets and those on fixed incomes. If we are going to control inflation, they will be the first beneficiaries.

Let me point out that the other body, on yesterday, voted to increase appropriations for education by approximately \$1 billion. I happen to believe that most of those increases are justifiable and desirable. But, if we start reducing Federal income and add to the inflationary problem, can we, in good conscience, support programs of that nature and other much needed domestic programs?

We have got to face the whole question. We have many domestic problems to solve. If we are going to start cutting taxes now, we will hurt those in the low-income brackets first, and we will make it impossible to carry out many of the desperately needed programs at the domestic level.

I think that those points should be considered by the Senate.

I thank the Senator from Delaware for yielding to me.

The VICE PRESIDENT. The Chair would inform the Senator from Delaware that the Senator from Delaware has 4 minutes remaining.

Mr. WILLIAMS of Delaware. Mr. President, the minority leader said that it would be all right and I yield 5 minutes on the bill to the Senator from Nebraska (Mr. CURTIS).

The VICE PRESIDENT. The Senator from Nebraska is recognized for 5 minutes.

Mr. CURTIS. Mr. President, I thank the Senator from Delaware.

Mr. President, I am aware that there are many Senators who have advocated tax reform who are sincere. They are right. It should come. I remind Senators of this, however, that to hold back part of the program to extend the surtax will not aid tax reform but will hinder it.

What we need to get a tax reform package passed is some benefits, some sweetness to put in it, not an increase in taxes.

Now, if Congress can consider a package that carries some much needed reforms and at the same time grants relief to certain segments of the economy, it will be passed. But to withhold part of the surtax extension as an aid to bringing about tax reform will be entirely a futile effort. It will not work.

It has often been said that we have had a surtax and inflation has still gone on. There is nothing magic in a surtax to stop inflation. It is a deterrent to inflation only insofar as such tax tends to balance the budget.

I do not know anything about economic theories. I would hate to have to decide which group of economists is right. This one thing I know: In fiscal 1968 we had a deficit of \$28.4 billion in

the budget, exclusive of trust funds, that the estimate of the deficit for last June 30 was \$8.6 billion, and that for fiscal 1970 we will have a deficit estimate of \$4.3 billion. I do not think that that is a coincidence.

I am supporting the surtax for a full year, not because I like it, but because we are facing a deficit. We have a deficit this year. We will have one next year. We have had deficits for some time. I will support every effort that I can to hold down expenditures, but they have not been held down. The money has been spent. We need the revenue from a full year of the surtax. If I had my way, it would be 10 percent for the full year. We need it in order to notify the world, in order to notify our own people, that the U.S. Government is facing up to the realities and is trying to set its house in order.

Congress consists of two bodies. We should not yield to the House of Representatives without reason. On the other hand, we have an obligation to cooperate with them. We have an obligation to see how they look at things. The House of Representatives is proceeding on tax reform. It will come about. They will send us a bill.

The VICE PRESIDENT. The 5 minutes yielded to the Senator from Nebraska have expired. Who yields time?

Mr. CURTIS. It is very doubtful that the bill will be accepted without this 1-year provision.

Mr. MURPHY. Mr. President, will the Senator from Delaware yield me 1 minute?

Mr. WILLIAMS of Delaware. I yield 1 minute to the Senator from California.

Mr. MURPHY. Mr. President, it is getting "curiouser and curiouser." I hear on both sides of the aisle the unanimous feeling that the surtax is needed. I hear nobody objecting to the extension of the surtax. It is needed, as recommended by the five living Secretaries of the Treasury and all other financial experts. There is no argument on that score.

I also hear that there is another condition—that of tax reform. It is needed. I have heard no voice raised here against tax reform. I remind the Senate that the Senator from California has talked about tax reform for some time.

The VICE PRESIDENT. The time of the Senator has expired.

Mr. MURPHY. Mr. President, may I have about 10 seconds?

Mr. WILLIAMS of Delaware. I yield 1 minute to the Senator from California.

Mr. MURPHY. Everybody wants tax reform. Everybody realizes that we need the surtax. I cannot understand why there is the delay.

Mr. WILLIAMS of Delaware. Mr. President, how much time have I remaining?

The VICE PRESIDENT. The Senator from Delaware has 1 minute remaining.

Mr. JAVITS. Mr. President, will the Senator from Illinois give me 2 minutes on the bill?

Mr. DIRKSEN. Yes.

Mr. JAVITS. Mr. President, the Senator from Delaware and I have been arguing for a long time that it is essential, in the highest interests of all the people of our country, that the world be reassured that we are purposeful in our fight

against inflation. As evidence of that purpose, it is proposed that we have a 1-year extension of the surtax.

I realize that we have the problem of a very nice balance. Many Senators feel we should hold the tax extension as a hostage for the purpose of tax reform. Also, I feel somewhat obligated to give the necessary votes to accomplish the basic purpose which the unanimous-consent agreement would accomplish, which was done by all of us in concert.

This is the only amendment I expect to vote for. I feel it is a visual presentation to the world, so critically needed in the highest interest of our people, that we are determined to halt inflation. This would be more meaningful even than tax reform itself in stemming inflation. Therefore, I feel dutybound to vote for the effort to make this a 1-year proposition. I do not think we need to hold ourselves hostages for that purpose. I accept the pledges of the majority and minority that we will have a tax reform package. I am willing to depend on these pledges. Although to my people it may seem I am imposing more taxes on them momentarily, it will come out "in the wash" long before October 31, because I have that faith. I shall support the amendment.

Mr. MILLER. Mr. President, will the Senator yield me 2 minutes on the bill?

Mr. WILLIAMS of Delaware. I yield the Senator 2 minutes on the bill.

Mr. MILLER. Mr. President, I want to underscore what the Senator from New York said and to emphasize that today, even more than yesterday, action on the 12-month extension is necessary. In the House yesterday—and I regret that it was pretty much on a party-line vote—the majority of the House added approximately \$1 billion to a Health, Education, and Welfare appropriation bill over and above the administration's budget. People in other countries who are looking to see whether or not we are going to keep our fiscal house in order are wondering even more today than they were yesterday. So the need for the full year extension is more today than it was yesterday.

That does not mean that we are going to accept the action of the House yesterday, but the warning signals are up, and they are up higher today than they were yesterday.

I feel we should follow the administration's guidance on this question. If we do not—and I regret to say this—I think we will face a continued inflationary psychology, with all its overtones, both here and abroad. I hope the amendment will be adopted.

Mr. LONG. Mr. President, I yield myself 3 minutes.

The amendment that the Senate agreed to assures that the administration, based on its May estimates, will have a surplus of \$1.6 billion in its unified budget. In other words, by the vote we have already taken, \$5.6 billion will be added to the Government's revenues—\$3.9 billion from the income tax on individuals and \$1.7 billion from taxes on corporations. So already we have voted enough taxes to assure a balanced budget for this fiscal year.



I am not averse to voting for more taxes. If it is necessary, I am willing to do it. But the majority of the Democrats are determined that they shall have an opportunity to vote on a tax reform measure. They do not want to pass all the revenue bills that this administration is requesting at this point, because they want us to bring out a tax reform package. The majority of us on the committee have undertaken to assure them that we will do exactly that.

Meanwhile, on some bill—not on this one, I would hope, but on some future bill—we will undertake to perfect the investment tax credit repeal, and that will give the administration another \$1.35 billion in this fiscal year and \$2.6 billion for the fiscal year 1971. This means that for the fiscal year 1970 the budget surplus will be about \$3.0 billion.

If more revenue is needed, I suppose we will provide it; but we should keep in mind that it is not the surtax that is needed to stop the inflationary trend. I hold in my hand statistics which show that Government borrowing is down by \$14 billion. Household borrowing is down by \$3 billion—from \$32 billion to \$29 billion. Foreign borrowing is down by \$1 billion.

What is up? Business borrowing, from \$36 billion to \$47 billion, an increase of \$11 billion this year over last year. There is where the mischief is occurring, and that is why we must repeal the investment tax credit. I hope it will not be proposed as an amendment to this bill.

The VICE PRESIDENT. The time of the Senator has expired.

Mr. LONG. Mr. President, I yield myself 2 minutes, or at least 1 minute, more.

We have responsibly provided enough revenues to assure a balanced budget for this year. We will provide more if necessary. Senators need not have any concern about that. But we will not do it on this bill, because Senators want an opportunity to have a vote on their ideas about tax reform. The Senator from Rhode Island wants to reduce the oil depletion allowance. I would like to reduce the tax benefits some foundations receive. The oil industry pays billions of dollars; the foundations pay nothing. I would like to tax them. But that is something we will consider when the time comes.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. LONG. I yield to the Senator from Nebraska.

Mr. CURTIS. I commend the chairman for his very realistic view of all the problems involved in getting tax reform that is acceptable, that can get enough votes to pass the bill.

I ask him this question: Would the incorporation in a tax reform bill of a provision to extend the surtax for 6 months aid its passage?

Mr. LONG. I do not think so.

Mr. CURTIS. I do not think it would either. I respect those who are opposed to the surtax and voted against it. But certainly it is of no value to hold it back as an aid to tax reform; it would be the contrary.

Mr. LONG. I understand the Senator's argument. That is why some Senators think we ought to have two bills, one for

the surtax and another for tax reform. But they want to hold up the surtax measure until we have had an opportunity to vote on reform. As to that I think I have made my position clear. I have stated it so many times in the last 6 weeks, I cannot conceive of its not being understood by everyone.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. LONG. I yield to the Senator from Rhode Island.

Mr. PASTORE. I do not know what the chances of tax reform would be on a 6-month extension of the surtax, but I will say to my good friend from Nebraska that he and those who feel as he does will have a better chance to extend the surtax for an additional 6 months if they pass a tax reform bill.

Mr. LONG. Mr. President, I think I have made my position clear. If I thought it would change any votes, I would talk longer, but I do not, and I am ready to yield back the remainder of my time if the Senator from Delaware is.

The VICE PRESIDENT. Does the Senator from Louisiana yield back his time?

Mr. LONG. No; I said that when the Senator from Delaware is ready to do so, I shall be ready.

Mr. WILLIAMS of Delaware. I yield myself 3 minutes on the bill.

I should like to make just one point in connection with the surplus of around \$4 billion claimed for next year, assuming the surcharge is extended for 6 months, as already approved by the Senate.

I point out that when they talk about a projected surplus of \$4 billion next year they are proceeding on the premise that we can use as normal Government revenues between \$10 billion and \$11 billion that will be building up and accumulating in the various trust funds. There is not a Senator who will not acknowledge that under no law can either the administration or Congress dip into the trust funds and spend that money to defray the normal operating costs of the Government. We cannot rob the Social Security trust funds to pay for educational or welfare programs; we cannot rob the Railroad Retirement Fund; we cannot rob the other trust funds of which the Government is only trustee.

To count those funds as though they were normal revenue of the Government has but one purpose; namely, to deceive the American people as to the true state of our financial picture.

It has been suggested that last year—just this last fiscal year—we had a \$3.1 billion surplus. When we take into consideration all the money that was taken out of the economy through governmental agencies, including trust funds, as related to all the money that poured in, it is true the Government took out \$3 billion more than we took in, and that has to be taken into consideration. But that does not mean we had a balanced budget. Included in that figure was \$8.4 billion of trust fund accumulations in the last 12 months. In addition we collected in the last fiscal year 18 months of surtaxes from corporations, because the 10-percent surcharge for corporations was retroactive to January 1, 1968, though the law was not enacted until July 1.

So in fiscal 1969 the Government had the benefit of the collection of 18 months of corporate surtaxes, and in the last fiscal year, the Government collected 15 months of individual surtaxes. The individual surtax was enacted July 1, 1968, retroactive to April 1, 1968.

These two items accounted for an extra \$2 billion. There was in this same fiscal year accelerated payments of corporation taxes and excise taxes amounting to \$700 million and \$200 million, respectively, and altogether in fiscal 1969, counting trust fund accumulations, a total of \$11.3 billion abnormal revenue. Actually our Government closed its books last year with a deficit of around \$8.25 billion; that is, under the administrative budget with all its welfare and various other programs for which Congress appropriated funds, it spent \$8.25 billion more than it took in. Right now we are operating, even with the surcharge, with a monthly deficit of around \$600 million. Therefore, I say we have no choice except to extend the surcharge.

In making its plans the Government must take into consideration its prospective revenues for the fiscal year. It cannot project what Congress may or may not do. If we do not extend the surtax for a full year, now the Government and all others interested in fiscal and monetary policies must assume that so far as Congress is concerned the surcharge will not be extended at a later date. Therefore, I think it is very important that we take the proper action here today and settle this question by providing for the full 1-year extension.

Mr. President, I promised to yield a minute or two on the bill to the Senator from Vermont.

Mr. AIKEN. Mr. President, I have two or three very short questions to ask the Senator from Delaware, because I should like to vote for his amendment.

Is the Senator from Delaware reasonably sure that real tax reform legislation can be enacted before next year?

Mr. WILLIAMS of Delaware. No one is absolutely sure of anything, but there is no doubt in my mind that it will be before the Senate.

The majority leader and others in cooperation with him have pledged that they want it; the Committee on Finance has said it wants it; the House is going to pass a reform bill within the next 10 days; and the chairman of the Committee on Finance has promised that that committee will expeditiously consider tax reform and report a bill I think he has said not later than October 31, if I recall correctly.

I think tax reform will be enacted for another reason: The American people are going to demand that this Congress take action.

But as the chairman of the committee very ably stated a few minutes ago, it does take time to hold hearings and give those interested an opportunity to present their views after the House of Representatives has acted. It will take a little time, and we just do not have time to wait on this question.

Mr. AIKEN. My next question is this: Yesterday the news reports showed that farm prices have dropped 2 percent in



the last 30 days, and that steel prices have gone up 4.8 percent. Is this a sign that inflation is coming under control, or if not, what is it a sign of?

Mr. WILLIAMS of Delaware. Inflation is not under control, and inflation will not get under control in my opinion until Congress faces up to its responsibilities, both as to providing the necessary monetary restraints and as to reducing expenditures.

In addition I think it is going to take other actions. I do not think we in Congress can do it alone; it will require the cooperation of all in government as well as in industry and labor.

There is no question that inflation is out of control. I think that to a large extent we as a government and perhaps as individuals have too often been living beyond our income in the last few years. We are going to have to cut down and start living within our incomes and the government certainly ought to set an example.

Mr. AIKEN. I want to make certain that everybody cuts down, not only the farmers.

I have one other question, a simple question—maybe too simple. Would it be easier to enact meaningful, if I may use that word, tax reform in the middle of an election year or in the latter part of a nonelection year?

Mr. WILLIAMS of Delaware. I should like to think that Senators will vote on tax reform proposals and various other measures according to what they think is in the best interest of the country, whether it be in an election year or not. Last year it was said that Congress could not pass a tax bill in an election year. President Johnson recommended a tax bill, and the former Senator from Florida, Mr. Smathers, and I felt that it had to be enacted. We joined in a bipartisan effort and put that bill through in an election year because it had to be done.

I think that what we are seeking to do today has to be done. I hope that we may vote for the measure as a bipartisan effort.

Mr. President, on the pending amendment, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. In addition to the funds anticipated by a year's extension of the surtax, are there not also some additional revenues that were taken into account, on which the Senate has taken no action?

Mr. WILLIAMS of Delaware. That is correct. The so-called budget surplus projections were made on the premise that Congress would further raise the social security tax effective January 1 by \$1.6 billion. I have not heard of that being seriously considered. This so-called budgetary surplus is also based on the premise that the Congress would retroactively—I emphasize retroactively—raise first-class postage as of July 1. That item would have raised another \$519 million.

User taxes were proposed to provide \$400 million in additional revenue to be

effective around July 1. Those have not been considered as yet. But even assuming all of them were enacted, even assuming those funds were being provided, even assuming that revenue holds up as projected and expenditures are made as projected, and the surtax enacted for the full year—let us face it—the Government of the United States will still be operating at a deficit projected as \$5 billion. Such a deficit just cannot be allowed to be incurred at this time.

Mr. LONG. Mr. President, I yield myself 2 minutes. One can look at the budget in more than one way. At the time—in 1967—when Mr. Kennedy was appointed by Lyndon B. Johnson to be chairman of the committee to study the budget and make recommendations, Mr. Kennedy recommended putting the budget on a consolidated basis, now we call it the unified budget, so that one could look at the whole budget, not merely a part of it, and determine whether the Government was taking in more money than it was spending.

In Mr. Kennedy's view it is necessary to look at the unemployment and social security revenue and at all the other revenue the Government is receiving, on a consolidated basis, and then determine whether more is being spent than is being taken in.

Mr. Kennedy came to Washington as Mr. Nixon's Secretary of the Treasury and kept the unified budget form. That is what his committee had unanimously agreed to and that was the way they believed the budget should be kept. In addition, President Johnson said it ought to be kept that way, and Richard Nixon has said it ought to be kept that way. I agree with both of them because that is how I think the budget ought to be kept—but, maybe I am an optimist. In any event, here is David Kennedy's publication from the Treasury speaking in terms of the books being kept that way. And here is how JOHN WILLIAMS thinks they ought to be kept.

If one wants to be an optimist and look at the whole thing instead of the hole in the donut, speaking concretely about this fiscal year, we would have a possible deficit of \$4 billion. With the 6 months extension of the surtax we have voted for \$5.6 billion in additional revenues so that we would now have a surplus of \$1.6 billion.

That is the way David Kennedy looks at it. That is how Lyndon Johnson would look at it. That is how Richard Nixon would look at it. And that is how I would look at it.

We cannot persuade the Senator from Delaware to look at it in that way. If we have to take a gloomy viewpoint and look at it in his way, we have a projected deficit of about \$14 billion.

If we do everything that we can in the bill and everything that the Senator is recommending, we will still have a huge deficit. In effect, the Senator from Delaware would pass an act of Congress to declare the richest Nation on the face of the earth bankrupt by an act of Congress. If the Senator wants to do it, let him do so.

The VICE PRESIDENT. The time of the Senator has expired.

Mr. LONG. Mr. President, I yield by myself 1 additional minute.

The VICE PRESIDENT. The Senator from Louisiana is recognized for 1 additional minute.

Mr. LONG. Mr. President, all I am saying is that the Government this year will take in more money than it pays out. When we do that, we do not contribute to inflation, and we act responsibly. In the final analysis, the Senator from Delaware need not worry. We will provide the administration with whatever money is needed before the year is out.

Mr. WILLIAMS of Delaware. Mr. President, I congratulate the Senator from Louisiana on his remarks. I am always interested in listening to them, and I am always amused.

Mr. President, I would like to have a vote.

Mr. LONG. Mr. President, I ask unanimous consent to have printed in the RECORD a table prepared by the Treasury, on July 18, showing how they keep the Government's books and how some feel the budget ought to be kept. The way they do it now is how I would like to have it done. We can then see both sides of the argument.

There being no objection, the charts were ordered to be printed in the RECORD, as follows:

THE FEDERAL BUDGET

[In billions]

Fiscal year	Unified budget	Administrative budget
1965.....	-\$1.6	-\$3.9
1966.....	-3.8	-5.1
1967.....	-8.8	-14.9
1968.....	-25.2	-28.4
1969 (estimated).....	+9	-8.6
1970 (estimated).....	( <sup>1</sup> )	( <sup>2</sup> )

<sup>1</sup> Without the enactment of the administration program, there would be a budget deficit of \$4,000,000,000. If that program is enacted the budget would be \$6,300,000,000 in surplus.

<sup>2</sup> Without the enactment of the administration program, there would be a budget deficit of \$14,600,000,000. If that program is enacted the deficit would be \$4,300,000,000.

Source: Treasury Department, July 18, 1969.

Mr. WILLIAMS of Delaware. Mr. President, I have no objection.

I respect the Senator from Louisiana as highly as I do any other Senator; however, I do not delegate to him the power to interpret what I am thinking. The Senator may put his tables in the RECORD; however, I want to have it clear that they are his views.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Delaware. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

The result was announced—yeas 41, nays 59, as follows:

[No. 61 Leg.]  
YEAS—41

Aiken	Fong	Pearson
Allott	Goldwater	Pell
Baker	Goodell	Percy
Bellmon	Griffin	Prouty
Bennett	Gurney	Saxbe
Boggs	Hansen	Schweiker
Brooke	Hruska	Scott
Cooper	Javits	Smith
Cotton	Jordan, Idaho	Stevens
Curtis	Mathias	Thurmond
Dirksen	Miller	Tower
Dole	Mundt	Williams, Del.
Dominick	Murphy	Young, N. Dak.
Fannin	Packwood	



## NAYS—59

Allen	Harris	Mondale
Anderson	Hart	Montoya
Bayh	Hartke	Moss
Bible	Hatfield	Muskie
Burdick	Holland	Nelson
Byrd, Va.	Hollings	Pastore
Byrd, W. Va.	Hughes	Proxmire
Cannon	Inouye	Randolph
Case	Jackson	Ribicoff
Church	Jordan, N.C.	Russell
Cook	Kennedy	Sparkman
Cranston	Long	Spong
Dodd	Magnuson	Stennis
Eagleton	Mansfield	Symington
Eastland	McCarthy	Talmadge
Ellender	McClellan	Tydings
Ervin	McGee	Williams, N.J.
Fulbright	McGovern	Yarborough
Gore	McIntyre	Young, Ohio
Gravel	Metcalf	

So the amendment of Mr. WILLIAMS of Delaware was rejected.

Mr. MANSFIELD. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. WILLIAMS of Delaware. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER (Mr. CRANSTON in the chair). The amendment will be stated.

The bill clerk proceeded to read the amendment.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment, ordered to be printed in the RECORD, is as follows:

At the end of the bill add a new section, as follows:

**"SEC. 4. TERMINATION OF INVESTMENT CREDIT**

**"(a) IN GENERAL.**—Subpart B of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to rules for computing credit for investment in certain depreciable property) is amended by adding at the end thereof the following new section:

**"SEC. 49. TERMINATION OF CREDIT**

**"(a) GENERAL RULE.**—For purposes of this subpart, the term "section 38 property" does not include property—

**"(1)** the physical construction, reconstruction, or erection of which is begun after April 18, 1969, or

**"(2)** which is acquired by the taxpayer after April 18, 1969, other than pre-termination property.

**"(b) PRE-TERMINATION PROPERTY.**—For purposes of this section—

**"(1) BINDING CONTRACTS.**—Any property shall be treated as pre-termination property to the extent that such property is constructed, reconstructed, erected, or acquired pursuant to a contract which was, on April 18, 1969, and at all times thereafter, binding on the taxpayer.

**"(2) EQUIPPED BUILDING RULE.**—If—

**"(A)** pursuant to a plan of the taxpayer in existence on April 18, 1969 (which plan was not substantially modified at any time after such date and before the taxpayer placed the equipped building in service), the taxpayer has constructed, reconstructed, erected, or acquired a building and the machinery and equipment necessary to the planned use of the building by the taxpayer and

**"(B)** more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such building as so equipped is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date,

then all property comprising such building as so equipped (and any incidental property adjacent to such building which is necessary to the planned use of the building) shall be pretermination property. For purposes of subparagraph (B) of the preceding sentence, the rules of paragraphs (1) and (4) shall be applied. For purposes of this paragraph, a special purpose structure shall be treated as a building.

**"(3) PLANT FACILITY RULE.**—

**"(A) GENERAL RULE.**—If—

**"(i)** pursuant to a plan of the taxpayer in existence on April 18, 1969 (which plan was not substantially modified at any time after such date and before the taxpayer placed the plant facility in service), the taxpayer has constructed, reconstructed, or erected a plant facility, and either

**"(ii)** the construction, reconstruction, or erection of such plant facility was commenced by the taxpayer before April 19, 1969, or

**"(iii)** more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facility is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date, then all property comprising such plant facility shall be pre-termination property. For purposes of clause (iii) of the preceding sentence, the rules of paragraphs (1) and (4) shall be applied.

**"(B) PLANT FACILITY DEFINED.**—For purposes of this paragraph, the term "plant facility" means a facility which does not include any building (or of which buildings constitute an insignificant portion) and which is—

**"(i)** a self-contained, single operating unit or processing operation,

**"(ii)** located on a single site, and

**"(iii)** identified, on April 18, 1969, in the purchasing and internal financial plans of the taxpayer as a single unitary project.

**"(C) SPECIAL RULE.**—For purposes of this subsection, if—

**"(i)** a certificate of convenience and necessity has been issued before April 19, 1969, by a Federal regulatory agency with respect to two or more plant facilities which are included under a single plan of the taxpayer to construct, reconstruct, or erect such plant facilities, and

**"(ii)** more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facilities is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date, such plant facilities shall be treated as a single plant facility.

**"(D) COMMENCEMENT OF CONSTRUCTION.**—For purposes of subparagraph (A)(ii), the construction, reconstruction, or erection of a plant facility shall not be considered to have commenced until construction, reconstruction, or erection has commenced at the site of such plant facility. The preceding sentence shall not apply if the site of such plant facility is not located on land.

**"(4) MACHINERY OR EQUIPMENT RULE.**—Any piece of machinery or equipment—

**"(A)** more than 50 percent of the parts

and components of which (determined on the basis of cost) were held by the taxpayer on April 18, 1969, or are acquired by the taxpayer pursuant to a binding contract which was in effect on such date, for inclusion or use in such piece of machinery or equipment, and

**"(B)** the cost of the parts and components of which is not an insignificant portion of the total cost, shall be treated as property which is pretermination property.

**"(5) CERTAIN LEASE-BACK TRANSACTIONS, ETC.**—Where a person who is a party to a binding contract described in paragraph (1) transfers rights in such contract (or in the property to which such contract relates) to another person but a party to such contract retains a right to use the property under a lease with such other person, then to the extent of the transferred rights such other person shall, for purposes of paragraph (1), succeed to the position of the transferor with respect to such binding contract and such property. In any case in which the lessor does not make an election under section 48(d)—

**"(A)** the preceding sentence shall apply only if a party to the contract retains the right to use the property under a lease for a term of at least one year; and

**"(B)** if such use is retained, the lessor shall be deemed for the purposes of section 47 as having made a disposition of the property at such time as the lessee loses the right to use the property.

For purposes of subparagraph (B), if the lessee transfers the lease in a transfer described in paragraph (7), the lessee shall be considered as having the right to use of the property so long as the transferee has such use.

**"(6) CERTAIN LEASE AND CONTRACT OBLIGATIONS.**—

**"(A)** Where, pursuant to a binding lease or contract to lease in effect on April 18, 1969, a lessor or lessee is obligated to construct, reconstruct, erect, or acquire property specified in such lease or contract, any property so constructed, reconstructed, erected, or acquired by the lessor or lessee shall be pre-termination property. In the case of any project which includes property other than the property to be leased to such lessee, the preceding sentence shall be applied, in the case of the lessor, to such other property only if the binding leases and contracts with all lessees in effect on April 18, 1969, cover real property constituting 25 percent or more of the project (determined on the basis of rental value). For purposes of the preceding sentences of this paragraph, in the case of any project where one or more vendor-vendee relationships exist, such vendors and vendees shall be treated as lessors and lessees.

**"(B)** Where, in order to perform a binding contract or contracts in effect on April 18, 1969, (i) the taxpayer is required to construct, reconstruct, erect, or acquire property specified in any order of a Federal regulatory agency for which application was filed before April 19, 1969, (ii) the property is to be used to transport one or more products under such contract or contracts, and (iii) one or more parties to the contract or contracts are required to take or to provide more than 50 percent of the products to be transported over a substantial portion of the expected useful life of the property, then such property shall be pre-termination property.

**"(7) CERTAIN TRANSFERS TO BE DISREGARDED.**—

**"(A)** If property or rights under a contract are transferred in—

**"(i)** a transfer by reason of death, or

**"(ii)** a transaction as a result of which the basis of the property in the hands of the transferee is determined by reference to its basis in the hands of the transferor by reason of the application of section 332, 351, 361, 371(a), 374(a), 721, or 731,



and such property (or the property acquired under such contract) would be treated as pre-termination property in the hands of the decedent or the transferor, such property shall be treated as pre-termination property in the hands of the transferee.

“(B) If—

“(i) property or rights under a contract are acquired in a transaction to which section 334(b)(2) applies,

“(ii) the stock of the distributing corporation was acquired before April 19, 1969, or pursuant to a binding contract in effect April 18, 1969, and

“(iii) such property (or the property acquired under such contract) would be treated as pre-termination property in the hands of the distributing corporation,

such property shall be treated as pre-termination property in the hands of the distributee.

“(8) PROPERTY ACQUIRED FROM AFFILIATED CORPORATION.—For purposes of this subsection, in the case of property acquired by a corporation which is a member of an affiliated group from another member of the same group—

“(A) such corporation shall be treated as having acquired such property on the date on which it was acquired by such other member,

“(B) such corporation shall be treated as having entered into a binding contract for the construction, reconstruction, erection, or acquisition of such property on the date on which such other member entered into a contract for the construction, reconstruction, erection, or acquisition of such property, and

“(C) such corporation shall be treated as having commenced the construction, reconstruction, or erection of such property on the date on which such other member commenced such construction, reconstruction, or erection.

For purposes of this subsection and subsection (c), a contract between two members of an affiliated group shall not be treated as a binding contract as between such members. For purposes of the preceding sentences, the term “affiliated group” has the meaning assigned to it by section 1504(a), except that all corporations shall be treated as includible corporations (without any exclusion under section 1504(b)).

“(9) BARGES FOR OCEAN-GOING VESSELS.—In the case of any ocean-going vessel which is—

“(A) pre-termination property,

“(B) constructed under a binding contract which was in effect on April 18, 1969, to which the Maritime Administration, Department of Commerce, is a party, and

“(C) designed to carry barges,

then the barges specified in such contract (not in excess of the number specified in such contract) constructed, reconstructed, erected, or acquired for use with such vessel, together with the machinery and equipment to be installed on such barges and necessary for their planned use, shall be treated as pre-termination property.

“(10) CERTAIN NEW-DESIGN PRODUCTS.—Where—

“(A) on April 18, 1969, the taxpayer had undertaken a project to produce a product of a new design pursuant to binding contracts in effect on such date which—

“(i) were fixed-price contracts (except for provisions for escalation in case of changes in rates of pay), and

“(ii) covered more than 60 percent of the entire production of such design to be delivered by the taxpayer before January 1, 1973, and

“(B) on or before April 18, 1969, more than 50 percent of the aggregate adjusted basis of all property of a character subject to the allowance for depreciation required to carry out such binding contracts was property the construction, reconstruction, or erection of which had been begun by the taxpayer,

or had been acquired by the taxpayer (or was under a binding contract for such construction, reconstruction, erection, or acquisition),

then all tangible personal property placed in service by the taxpayer before January 1, 1972, which is required to carry out such binding contracts shall be deemed to be pre-termination property. For purposes of subparagraph (B) of the preceding sentence, jigs, dies, templates, and similar items which can be used only for the manufacture or assembly of the production under the project and which were described in written engineering and internal financial plans of the taxpayer in existence on April 18, 1969, shall be treated as property which on such date was under a binding contract for construction.

“(c) LEASED PROPERTY.—In the case of property which is leased after April 18, 1969 (other than pursuant to a binding contract to lease entered into before April 19, 1969), which is section 38 property with respect to the lessor but is property which would not be section 38 property because of the application of subsection (a) if acquired by the lessee, and which is property of the same kind which the lessor ordinarily sold to customers before April 19, 1969, or ordinarily leased before such date and made an election under section 48(d), such property shall not be section 38 property with respect to either the lessor or the lessee.

“(d) RATE OF CREDIT WHERE PROPERTY IS PLACED IN SERVICE AFTER 1970.—In the case of property placed in service after December 31, 1970, section 38 and this subpart shall be applied by reducing the 7 percent figure of section 46(a)(1) by one-tenth of 1 percent for each full calendar month between November 30, 1970, and the date on which the property is placed in service, except that in the case of property placed in service after December 31, 1974, 0 percent shall be substituted for 7 percent.”

“(b) LIMITATIONS OF USE OF CARRYOVERS AND CARRYBACKS.—Section 46(b) (relating to carryback and carryover of unused credits) is amended by adding at the end thereof the following new paragraph:

“(5) TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1968, AND ENDING AFTER APRIL 18, 1969.—The amount which may be added under this subsection for any taxable year beginning after December 31, 1968, and ending after April 18, 1969, shall not exceed 20 percent of the higher of—

“(A) the aggregate of the investment credit carrybacks and investment credit carryovers to the taxable year, or

“(B) the highest amount computed under subparagraph (A) for any preceding taxable year which began after December 31, 1968, and ended after April 18, 1969.”

“(c) RULES RELATING TO CERTAIN CASUALTIES AND THEFTS.—Section 47(a)(4) (relating to rules with respect to section 38 property destroyed by casualty, etc.) is amended by adding at the end thereof the following:

“Subparagraphs (B) and (C) shall not apply with respect to any casualty or theft occurring after April 18, 1969. In the case of any casualty or theft occurring on or before April 18, 1969, to the extent of any replacement after such date (with property which would be section 38 property but for section 49) this part shall be applied without regard to section 49.”

“(d) CONFORMING AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 (relating to rules for computing credit for investment in certain depreciable property) is amended by adding at the end thereof the following new item:

“Sec. 49. Termination of credit.”

Mr. WILLIAMS of Delaware. Mr. President, this is an amendment which should receive the overwhelming support of both sides of the aisle. We have heard

much said today about the fact that Members wanted tax reform at the same time we extended the surtax. This amendment is a major tax reform. It would repeal the 7-percent investment credit. On an annual basis this credit represents \$3¼ billion a year in the form of a subsidy for American industry at a time when we are utilizing only 84 percent of our plant capacity, at a time when one of our major problems in combating inflation is the fact that there are strains on the money market and strains on the demand for labor and materials. Certainly this is not the time to keep this subsidy on the books.

It is generally admitted by all concerned that last year's restoration of the investment credit did accelerate the inflation at that time. The administration is now asking that it be repealed. The Democratic policy committee in the House and the Senate has endorsed the repeal. Republicans and Democrats have publicly endorsed this repeal. It was voted out of the Finance Committee by 9 to 8, but that did not represent the true sentiment of the committee on this measure, as I am sure the chairman of the committee will bear me out. Many of those Members who were not ready to report the bill at that time for various reasons say they are in favor of this proposal. Certainly this is one step toward reform that we can take today.

As I have stated, it not only would bring in \$1.3 billion in the next fiscal year, but on a full year's operation it represents about \$3.25 billion.

Surely with all of the great speeches we have had here today about support of tax reform everybody must be looking forward to this vote. We can get tax reform now by our votes on this amendment. Now, under the unanimous-consent agreement, we have this amendment before us. This is an opportunity to vote “yea” and close this subsidy which in my opinion, particularly at a time like this, is unwarranted.

This investment credit which is now on the books means that, with respect to the equipment subject to the credit, industry is in effect being subsidized 7 percent of the cost. Certainly at a time when we are hearing much criticism about the farm support program costing too much and that other subsidies must be rolled back this is one area where Congress can act by repealing this tax credit and take one step forward toward major tax reform.

Mr. President, I withhold the remainder of my time.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. MAGNUSON. Mr. President, does not the Senator believe there should be some further consideration of the repeal of this particular tax credit? I think we should hesitate to enact a complete repeal of the investment tax credit without consideration of the effects on some segments of the business community.

For instance, we must consider the time lag between the original order and the delivery date on certain capital investments. I speak from what we see in our Committee on Commerce and in the entire transportation field. This tax



credit has been relied upon by nearly everyone in the transportation field. It involves the building of freight cars, barge lines, the delivery of airplanes, and the major rolling stock of nearly every form of transportation.

In the merchant marine, for example, from the time a ship is ordered to the time that ship is put into operation sometimes is well beyond the period stated in the bill. Perhaps the orders were made, based on legitimate and valid assumptions, and the firms involved took advantage of this particular tax credit of 7 percent. As a result of circumstances like these, the rolling stock of all types of transportation has been able, heretofore, to keep up with demand. But repeal of the investment tax credit without regard to this problem could have a drastic and immediate effect.

I have no doubt that if we repeal the entire investment tax credit there will be another freight problem, another problem on the railroads, among the airlines, and in the barge lines—particularly the barge lines—because the delivery date of capital stock in those fields is months or even years after the initial order.

I shall give an example. When airlines order airplanes, they might order all they need within a 2-month period, but the planes are not delivered in a 2-month period because the contractor can only roll out so many so fast.

In addition, the contractor is producing other aircraft which our Nation needs—some jumbo types or some smaller types—and the delivery date for any particular aircraft may be far down the line in order of priority.

Mr. President, these are some of the reasons why I think the committee should take a new look at repeal of this tax credit, so there will be no injustice to industries with these particular problems.

I hope the committee will consider this matter more closely. It is a matter that deserves a more complete hearing before the Senate Committee on Finance.

Mr. WILLIAMS of Delaware. I agree. Hearings should be and were held. Extended hearings were held in the House.

Mr. MAGNUSON. I am speaking about the Senate and the responsibility of the Senate.

Mr. WILLIAMS of Delaware. Mr. President, I remind the Senator that Senate hearings were held on July 8, 9, 11, 14, and 15.

Mr. MAGNUSON. I know, but I would suggest that the particular problems I have been discussing have not received as complete and thorough a study as they deserve, although repeal of the tax in general has been studied extensively.

Mr. WILLIAMS of Delaware. We did hold hearings on this matter.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 2 additional minutes.

The PRESIDING OFFICER. The Senator is recognized.

Mr. WILLIAMS of Delaware. Hearings were held in July for 5 days on this subject, and the bill has been reported to the Senate.

I remind the Senator that this is a measure first introduced and reported by the House after long and adequate hearings. It was reported to the Senate by the Committee on Finance after 5 days of hearings. So all of this has been taken care of, and all we have to do now is vote.

Mr. ALLOTT and Mr. TALMADGE addressed the Chair.

Mr. WILLIAMS of Delaware. Mr. President, I yield 2 minutes to the Senator from Colorado.

Mr. ALLOTT. Mr. President, I have been concerned about this same question that has been raised by the Senator from Washington. I should like to ask the Senator one or two questions. The first one is: Does he think that the investment tax credit should be utilized in its imposition, or doing away with it, as a means of controlling the fiscal policy of this country?

Mr. WILLIAMS of Delaware. Not altogether.

Mr. ALLOTT. As one of the elements.

Mr. WILLIAMS of Delaware. Yes, as one of the elements. Because there is no question that when the investment credit was reinstated plant expansion did accelerate; there is no question that each time it has been repealed there was a slowdown. At this time that is what we are trying to promote. I do not believe there is any question but that this is an equally important part of the inflationary controlling package.

Mr. ALLOTT. Would the Senator say that he feels this can be imposed or taken off without placing the various competitive industries, whether it be steel, oil, or motors, or the corner grocery store, whether it can be put on and replaced without placing competing industries and competing businesses in an unfair competitive situation?

Mr. WILLIAMS of Delaware. I do not see that it would except perhaps that it would be less competitive as between industries—

Mr. ALLOTT. No, no—

Mr. WILLIAMS of Delaware (continuing). That compete with foreign countries. If can and to that extent—

Mr. ALLOTT. That is not my question. If we have a cut-off date of the 1st of April, say, and one company has committed itself before this time with a purchase of capital investments, and another one has decided it is in its best interest to put it off until the last half of the year, and it is imposed as of the 15th of April, or the 18th, as I believe it is in the bill, would not the Senator agree that as between the two competing businesses, it places one in an unfair competitive situation?

Mr. WILLIAMS of Delaware. There is no question that that situation could arise and would arise. No matter what dates were picked we would find the same situation developing, and perhaps more so with other dates. The same inequities would develop when two companies bought their equipment 3 days or the day before the bill was originally enacted; one lost it, but the other got it. When we take a bill of this kind we cannot help having such an inequity develop whenever we do it. Frankly, I do not like

the idea of having this on-again off-again tax legislation. I personally would prefer, rather than ever considering restoring the investment credit again, the liberalization of the depreciation allowance. Then all businessmen could compute their depreciation rather than have a subsidy.

Mr. ALLOTT. I want to say that I agree with the Senator on that point, but along the same line, we maintain and he has just discussed, whether it would apply to the removal of the tax investment credit. The same inequities that the Senator has discussed would arise upon the repeal of the income tax credit as between competing industries as would apply to the imposition of the investment tax credit.

Mr. WILLIAMS of Delaware. That is right.

Mr. ALLOTT. The Senator mentioned the date. The date in this particular bill is April 18. There are five dates, as I see it, which might constitute a reasonable cutoff date. One would be the date the President's message came up to Congress. One would be the date it was introduced in the House. One would be the date the House passed it. One would be the date the Senate passed it. The last would be the date it actually became law.

In this case, as I recall the facts, the date of April 18 precedes the President's message by 3 days. Will the Senator explain that?

Mr. WILLIAMS of Delaware. Yes. It has always been customary, heretofore, that on a change in tax law, such as is embraced in the change in the investment tax credit, whether reinstatement or repeal, the date of the President's message would be the effective date. Such a date was utilized in preceding actions, whether we repealed or enacted the tax credit.

Now, in this instance the reason it was rolled back the 3 days is that in some manner—which I do not understand, and no one else seems to—there apparently was a leak on the administration's decision. The President on Monday morning, April 21, recommended repeal of the investment tax credit as of midnight Sunday night, or effective that day. Later it was called to our attention in the committees that on the Sunday just preceding the President's message about \$900 million worth of equipment had been purchased by companies which had opened up their offices on a Sunday and bought in order to get ahead of the deadline. The Ways and Means Committee and our committee concurring felt that in all fairness we would have to roll the date back to April 18 so that at least the inequity would be on a basis of all getting caught without any advance information. I understand there were about \$900 million involved in purchases by one or two companies; so for that reason the committee rolled it back to the 18th of April date, which was agreed upon by both tax writing committees.

Mr. ALLOTT. But since the practice has been to take it, upon the basis of tax matters, as of the date of the President's message, does the Senator not think that this is bad practice, to roll it back, when the average business man in



the United States did not have access to this roll back and, therefore, might get caught in the trap with respect to—

Mr. WILLIAMS of Delaware. No; I do not think anyone got caught in a trap, because the average businessman does not normally open his office and buy \$800 or \$900 million worth of equipment on a Sunday.

Most businesses are closed on Saturday and Sunday. When one opens an office on a Saturday or Sundays and buys such a large amount of equipment it is usually for a specific purpose. Thus I do not believe that anyone got caught in this particular case.

Mr. ALLOTT. I thank the Senator from Delaware very much.

Mr. MILLER. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield 1 minute to the Senator from Iowa.

The VICE PRESIDENT. The Senator from Iowa is recognized for 1 minute.

Mr. MILLER. I should like to add to what the Senator from Delaware has had to say in response to the questions of the Senator from Colorado.

As I understand it, what is done is to pick a date, after which the public in general could be said to have been placed on notice. I suggest to the Senator from Colorado that April 1 would be another date that could be used, because that is the date when the report on the Joint Economic Committee came out and the majority opinion recommended repeal of the investment tax credit. So, from that standpoint one could say that the general public was placed on notice that this was in the picture and perhaps even more so.

Mr. TALMADGE. Mr. President, I yield myself such time as I may require.

The VICE PRESIDENT. The Senator from Georgia is recognized.

Mr. TALMADGE. Mr. President, almost every Senator that I have talked with is in favor of the investment tax credit. The Finance Committee has twice voted to repeal it. Each time we have made it clear that we intend to repeal it as of April 18, 1969, the date contained in the committee report and the House version of H.R. 12290 and in the amendment offered by the Senator from Delaware.

I also point out the Democratic Policy Committee unanimously had pledged itself accordingly. But the bill to repeal it is yet to be perfected, even though the Finance Committee reported it.

As a matter of fact, Mr. President, the bill came before the Finance Committee in executive session, several Senators had perfecting amendments they intended to offer. We did not have a chance to offer a single amendment, not even to cross a "t" or dot an "i".

There are many provisions of this bill that do indeed need careful study. The investment tax credit is one of them that needs the most study of all.

The amendment I had intended to offer in the Finance Committee, and I had every reason to believe it would have been accepted because I had talked to Members on both sides of the aisle, related to the harsh effect of the phase-out rules on a business which must of necessity order its assets well in advance of

the expected delivery date. It would also relieve the harsh effect of the carryover rules contained in the House version.

Several Senators have indicated that they want to offer amendments to preserve some part of the investment tax credit for small business and for farming. I might say that a number of amendments have been offered with this purpose in mind. Senator STEVENS, of Alaska, has introduced amendments to try and preserve the credit for investments in depressed areas. We should explore that before we finally vote on the repeal rules. There are Senators who want to try and do something for the transportation industry, the rolling stock of railroad, and so on. We should explore that question in committee.

The so-called Lockheed amendment contained in the House bill is drafted in such a way that it does an injustice to the Douglas Aircraft Co., which competes with Lockheed in the airbus market. We should not give either one of those companies a competitive advantage over the other. Rather, we should try to treat them both alike.

Senator PROXMIER wants to delete the Lockheed amendment. Senator SYMINGTON wants to extend it to Douglas Aircraft.

The lease rules which the House wrote into the repeal bill are deficient in a number of respects, making them very inequitable, depending on how the taxpayer worked out his lease arrangement.

The House provision respecting the tax credit for barges used on the modern new barge-carrying cargo ships is deficient in that only the subsidized lines get relief. We should explore this question in greater detail in committee and try to bring some equity into the provision so that the nonsubsidized shipping lines will not be further discriminated against.

The VICE PRESIDENT. The time of the Senator has expired.

Mr. TALMADGE. I yield myself 3 additional minutes.

The coal industry and the oxygen and compressed gas industries also have a legitimate complaint about the House bill. They were covered and protected with respect to their contractual commitments by the investment credit suspension bill in 1966. The House adopted all of the 1966 transitional rules except for this one dealing with coal and oxygen contracts. Some of the members of the Finance Committee are still unable to understand the logic of the House action, and we want to inquire into that matter further.

These are just some of the reasons why we would be premature if we acted on the Williams amendment at this time.

As for business certainty, I think that by now business is certain the investment tax credit is going to be repealed. I think by now business is certain that the repeal date is going to be April 18. Against this background, I do not believe that business has a right to think that the investment tax credit is not going to be repealed, and they ought to go ahead and make their business plans and commitments on the very definite assumption that the credit is going to be repealed.

But, I say again, we should repeal it only after the Finance Committee has had an opportunity to explore, discuss, and vote on the inequities in the House bill.

I may say that I have discussed this matter with some members of the Ways and Means Committee. They think it needs clarifying action. Members of the staff are unanimous in their view that it needs clarification, perfection, and amendment. The provisions of this bill, as presently written, take money from taxpayers, not only retroactively, but take money from taxpayers back to the time that the President of the United States made his recommendation.

Mr. LONG. Mr. President, will the Senator yield?

Mr. TALMADGE. I am delighted to yield to my distinguished chairman.

Mr. LONG. Something was said about hearings. We conducted 2 weeks of hearings. Just look at this list of witnesses. We heard from the whole broad spectrum of the economy—members of industry, farmers, laborers, and everybody else. Everybody who is affected by it came in to describe the inequities the bill contained. The gist of their position was, "If you are going to repeal, please do justice; please do equity. You would be unfair if you did it only for one taxpayer or group of taxpayers and did not do it for us."

For example, on the so-called barge amendment, the unsubsidized people say it is completely unfair: "We are in much worse shape than the subsidized steamship companies of the country." Because we are proposing to except the subsidized people from the repeal of the investment tax credit, and these poor unsubsidized people do not get such an exception, they ask, "What kind of justice is that?"

Certainly, if we give it to one, we should give it to others.

The Senator from Missouri (Mr. SYMINGTON) says, "If you are going to do it for Lockheed, you should do it for Douglas as well."

The Senator from Wisconsin (Mr. PROXMIER) says, "You should not do it for either one."

So if this question is to be considered, we ought to be able to vote on both amendments, one to give to Douglas the same benefit we gave to Lockheed; and the other not to give it to either one of them.

This volume contains nothing but 530 pages of inequities. Read it. And we did not vote on a single one of them, as the distinguished Senator from Georgia has indicated.

Mr. TALMADGE. The distinguished Senator is entirely correct. I hold in my hand a list of 19 witnesses who appeared before the Finance Committee, every one of them complaining of inequities in the phaseout of the investment tax credit.

I ask unanimous consent at this point that it be inserted in the RECORD.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

Roscoe L. Egger, Jr., U.S. Chamber of Commerce.

G. W. James, Air Transport Association.



Peter K. Nevitt, GATX, Armco, Boothe.  
 John B. Huffaker, Federal Tax Committee of the Greater Philadelphia Chamber of Commerce.  
 Harry A. Poth, Jr., Minnesota Power and Light Company.  
 Thomas M. Goodfellow, Association of American Railroads.  
 Edwin A. Locke, Jr., American Paper Institute.  
 Herbert B. Cohn, Edison Electric Institute.  
 Walker L. Cisler, The Detroit Edison Company.  
 Bradford S. Magill; Naylon, Huber, Magill; Lawrence and Farrell, attorneys.  
 Reeves E. Ritchie, President, Arkansas Power and Light Company.  
 Charles I. Derr, Machinery and Allied Products Institute.  
 T. F. Patton, Republic Steel Corporation.

And these witnesses testified in opposition to the special limitation on the use of accumulated tax credits:

Roscoe L. Egger, Jr., U.S. Chamber of Commerce.  
 Thomas M. Goodfellow, Association of American Railroads.  
 G. W. James, Air Transport Association.  
 Eric A. Trigg, Alcan Aluminum Corporation.  
 John M. Randolph, Computer of Lessors Association, Inc.  
 Edwin A. Locke, Jr., American Paper Institute.

Mr. LONG. One of the witnesses, speaking for agriculture, said complete repeal would not be fair to agriculture and asked for an exemption. Another one spoke for the paper industry, saying, "You ought to consider our particular problem."

The House added five amendments to take care of these types of situations, in some cases to take care of a single company. Now all of these other people are saying, "If you are going to consider their problem, you ought to do justice for our problem."

Mr. TALMADGE. All we would be doing would be simply ignoring the pleas of the witnesses who came before the committee. The trouble is we are in the dark, sailing on without knowing what we are doing.

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. TALMADGE. I yield.

Mr. SPARKMAN. I recognize the conditions under which we are proceeding at the present time, but I submitted to the committee an amendment which I felt was entirely just.

Mr. TALMADGE. We did not have a chance to consider the amendment of the Senator from Alabama.

Mr. SPARKMAN. That is what I am saying.

Mr. TALMADGE. We did not have a chance to consider anything. A Senator moved that the bill be reported. The motion was put. It was voted on. By a vote of 9 to 8, it was reported to this body. I have been here 12½ years, and this is the first time I have seen such a thing done in this body.

Mr. SPARKMAN. Let me remind the Senator that the amendment I had intended to offer would have provided a good deal of relief for small businesses, which today are under heavy financial pressure. They must compete with foreign companies—having the advantage of laws comparable to our investment

credit—in export markets and throughout this country. Small U.S. firms really need to have the credit continued in order to bring their plants up to date and to get new cost-cutting equipment. This is highly important for the balance of payments. I would certainly want that amendment to receive attention when this matter was brought up.

Mr. TALMADGE. It deserves consideration.

Mr. SPARKMAN. If the committee does not adopt it, I propose to offer it as an amendment on the Senate floor, because I think it is just, equitable, and right. I certainly want an opportunity to present it.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. TALMADGE. I yield.

Mr. MANSFIELD. Mr. President, I wish the Senate to take seriously the remarks just made, because they were not made in jest. It is my purpose, at the appropriate time, to move to table the pending amendment. Hopefully, that motion will succeed. If it does not, I wish to assure the Senate that what will develop—which will go beyond the hour of midnight, in my opinion—will be a Christmas tree bill, because I have it on excellent authority that there are at least six amendments in Senators' hands, and perhaps 27, to consider, with an hour on each.

Mr. MUNDT. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. MUNDT. I simply want to appeal to the noble sense of fair play that the majority leader has always manifested, in the interests of future tranquility in the Senate—we have to get unanimous consent so frequently to do so many things—I express the hope that he will not move to table this Williams amendment until the Senator from Iowa (Mr. MILLER) and I, who have an amendment to that, will have a chance to offer it. Otherwise, he would block us out of offering and discussing our amendment.

Mr. MANSFIELD. Oh, no; no more than we would be blocking a lot of Senators over here who have amendments to offer to the Williams amendment.

Mr. MUNDT. If we are going to establish a practice, Mr. Majority Leader; if we are going to use this tactic of unanimous consent in this kind of fashion, to bar us from offering amendments through taking action so the basic amendment is laid on the table, we are going to have a lot of trouble with unanimous consent requests in the future.

Mr. MANSFIELD. Mr. President, this is not through unanimous consent. This will be a tabling motion, and I have discussed this with the Senator from Delaware and the minority leader before the unanimous-consent agreement was arrived at yesterday. So this is not something being pulled out of the hat.

Several Senators addressed the chair.

Mr. TALMADGE. Mr. President, I had a perfecting amendment in mind which I intended to offer, but I am perfectly content with the procedure the distinguished majority leader has outlined. I do not think we ought to write tax legislation of this complexity on the Senate

floor. It is difficult to understand. You need the advice of experts. You have to sit around the table. Sometimes highly competent lawyers will differ on meanings. You have to analyze it, sometimes for hours and sometimes for days on end.

I think this thing ought to be considered in the Committee on Finance, where we can have expert testimony from the Treasury, from our staff, and from the Joint Committee on Internal Revenue and where we can write a reasonable bill, instead of trying to write it on the floor of the Senate. This is an impossibility.

Mr. LONG. Mr. President, will the Senator yield?

Mr. TALMADGE. I am happy to yield to my distinguished chairman.

Mr. LONG. Mr. President, I have discussed, with Senators on this side of the aisle—may we have order?

The VICE PRESIDENT. The Senate will be in order.

Mr. LONG. I would like the Senate to hear this. I have discussed with Senators on this side of the aisle our problem with regard to amendments. Let us take a simple example. The Senator from Georgia (Mr. TALMADGE) has an amendment that should be agreed to if the Williams amendment is to be added to the bill. He would have to offer that amendment before the Williams amendment comes to a final vote; otherwise, he would be foreclosed from his right to offer the amendment. He would lose his parliamentary rights.

Likewise, other Senators have good amendments that should be considered that they would like to offer. But if the Williams amendment is not to be agreed to, we would find it out with a tabling motion. If it is to be agreed to, there are at least a dozen amendments we will have to consider, and, of course, they would all be subject to debate. How would we know whether the amendment is likely to be agreed to or not, other than to wait until all the time is expired, and after the time is expired on the Williams amendment, move to table?

If the Williams amendment is not tabled, the Senator from Georgia (Mr. TALMADGE), the Senator from Alabama (Mr. SPARKMAN), the Senator from Washington (Mr. MAGNUSON), the Senator from Wisconsin (Mr. PROXMIER), and others will have amendments to offer. They are content not to offer their amendments if this amendment is not to be added to the bill. If it is to be added to the bill, then they want to offer their amendments.

How better to get a test of strength, to see where the votes are, than to move to table? If it is tabled, we will consider all these other amendments in the Committee on Finance and bring the investment tax credit bill back in due course. If it is not tabled, Senators will proceed to offer amendments, with the understanding that it is to be added to the bill.

Mr. MUNDT. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. MUNDT. I should like to explain my purpose. I have been around here



quite a while. I think the minority can always find a way to express itself, and one protective device one can always use, even when you dwindle the minority down to one and a unanimous consent is requested for a procedural device such as we have here, is that one Senator can object.

Mr. MANSFIELD. What unanimous consent?

Mr. MUNDT. The one the Senator made yesterday for this procedure.

Mr. MANSFIELD. All right; and if one Senator had objected, we would not have a bill before us, and the surtax would expire at midnight.

Mr. President, the Senator from Delaware is here now; I will ask him directly, if I may, did I discuss with you and the minority leader and other Senators yesterday the possibility of a tabling motion?

Mr. WILLIAMS of Delaware. Yes. Mr. President, I want to make it clear that while I have differed with the views of the Senator from Montana has taken on this bill before us today he has been fair, he has lived up to everything he has said, and the motion to table is in order. I hope it will not be approved, but I find no fault with its being offered or the procedure. I want to make it clear that no man in the Senate could have been more fair than the majority leader.

I say to the Senator from South Dakota, I would like to see him get a chance to offer his amendment. He could change his amendment and make it eligible for a vote as a separate amendment, but that, too, would be subject to a tabling motion.

I want it clear that while I may have differed with some of his views, the Senator from Montana has lived up to everything he has promised, and I support him completely on the procedure he is following.

Mr. MUNDT. Mr. President, here is one Senator, for example, whose vote on the tabling motion, or on the Williams amendment, if it comes to a vote, would depend in part upon what kind of attitude the Senate has expressed in connection with the amendment I have prepared. It has been introduced and printed. It deals with small business and farm exemptions.

All I am asking is the right to offer that amendment to the Williams amendment before we table it; otherwise, I have no vehicle on which to work. I could not object at all, having offered and argued it, if any Senator or the majority leader moved to table my amendment. That certainly is a perfectly sound procedure.

Mr. MANSFIELD. The Senator knows that if he starts this procedure, others will follow, and first thing you know, it will be midnight and there will be no extension of the surtax. We are facing this situation realistically.

I, for one, would like to see the investment tax credit repealed. As I say, I think there are 12 Senators on this side of the aisle alone with as many as 27 amendments and there may be as many on the other side as well. I do not intend to cut off debate if this measure is to be considered on the merits. We have an agree-

ment. But every minute of that time can be used; and even time on the bill.

It is my intention to preserve to the best of my ability, the rights of all Senators having an interest. And this applies to many other Senators besides my longtime friend, the distinguished senior Senator from South Dakota; he is not being singled out. He is interested in small business and the farmers. What about the Senator from Wisconsin (Mr. PROXMIER) who is he interested in? What about the Senator from Missouri (Mr. SYMINGTON)? What about Senator MAGNUSON? What about the Senator from Montana, now speaking, and his interest in the transportation industry, the railroads? They want some relief, and they are entitled to be heard, also.

Furthermore, let me say this before I yield: I stated yesterday and I state again today that the investment credit is still on the calendar, along with the excise tax and the exemptions for the lower-income groups. I have given my word that that bill will be brought up before October 1, provided, of course, in the meantime a tax reform bill is laid before the Senate. And what could be more fair?

Mr. LONG. Before November 1.

Mr. MANSFIELD. Before October 31, or at about the time the reform bill will be reported.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. PASTORE. I realize fully the situation of the Senator from South Dakota, but I think he is being a little premature. After all, even if he does bring up his amendment to the Williams amendment, and it does survive, and we prevail on the tabling motion, we will not only have killed the Williams amendment, we will have killed his amendment to it.

So the best thing is first to determine whether we are going to carry on with the Williams amendment, and if we do, that opens up the floodgates.

Mr. MUNDT. May I say to my friend, if the determination is to table, we would not have a chance to argue, to offer our amendment, or to try to persuade other Senators to accept it. My decision as to how to vote on the Williams amendment rests, in large part, on what the decision of my colleagues is in connection with small business and farm exemptions, and I will not have a chance to determine that.

Mr. PASTORE. That is not the purpose.

Mr. MANSFIELD. Oh, yes, that is the purpose of the tabling motion. If it carries, that is it. If it does not, every Senator will have his chance; there will be a Christmas tree right in the middle of this floor, and we will never finish with the bill.

Mr. MUNDT. The Senator has the perfect right, after my amendment has been offered, and any other amendment—and I certainly would not take any umbrage to that—to move to table my amendment, but at least I would have had a chance to be heard. I am a realist. If the Senate tables my amendment to the amendment, and there is a Symington amendment tabled, and another one, the

show is over, and we give up; but we will have tried and the Senate will have had the chance to vote yes or no on our proposed amendment.

Mr. MANSFIELD. After 27 such attempts, with an hour apiece, it will be late tomorrow, and there will be no surtax, because it expires at midnight. I think in all candor, the way to face up to this realistically and cleanly, is to move at an appropriate time to table the pending amendment. In that way, all Senators will then be afforded an opportunity to have their amendments considered in an orderly fashion first at the committee level and later this session on the floor.

What applies to the distinguished Senator from South Dakota applies to at least 12 other Senators on this side of the aisle.

It has been stated that a tax reform bill will be reported not later than October 31. On that we can rely. I would also want to see the other bill H.R. 12290, that is on the calendar brought up. However, in the meantime the things that the Senator and other Senators are interested in ought to be taken up in the Finance Committee, so that each individual Senator representing industries in his State or region would be given an opportunity to present his views.

Mr. MUNDT. Mr. President, if I can get some time from the Senator from Maryland, I have something further to say.

Mr. MANSFIELD. I will give the Senator some time on the bill.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. MILLER. Mr. President, I should like to know what is being proposed on the investment tax credit bill which the Senator from Louisiana said we would have a chance to consider before October 31.

Is it the plan to have this referred back to the Finance Committee where the Senator from Louisiana and the Senator from Georgia have said we should sit down and carefully consider the matter, if we do not understand what the procedure is going to be? I am in sympathy with the idea of the Senator from Louisiana and the Senator from Georgia of considering this matter. However, how is the Finance Committee supposed to consider it if it is on the calendar?

Mr. MANSFIELD. I will let the Senator answer for himself, or I will answer.

Mr. LONG. Mr. President, I did not hear the whole question.

Mr. MANSFIELD. The question concerns how the amendments to the investment tax credit—which is now a part of H.R. 12290 on the calendar—are to be considered?

Mr. LONG. Mr. President, we would simply meet in executive session and discuss all of this. Any Senator could move any amendment he had in mind or that anyone else had in mind.

We would come out with a committee amendment that would try to do justice and try to take into consideration all 500 pages of testimony that the Senators have loyally and diligently already heard. We would consider everyone's problem



and vote on the amendments and bring out our best suggestions. When it came up for consideration, the committee amendment would be subject to amendment.

Mr. MANSFIELD. Mr. President, the offer which the Senator extended earlier this month or late last month to all Senators to appear before the Finance Committee beginning July 18 would be renewed I am certain; and an opportunity would then be open to all.

Mr. LONG. I am still offering that opportunity to any Senator. The bill was reported out on me by a vote of 9 to 8 without Senators having had an opportunity to be heard.

I was somewhat disappointed that this was done. However, the Senators will be accorded an opportunity to appear before the committee if the Williams amendment is not adopted today.

Mr. MILLER. Mr. President, that is exactly the reason for my question. How is that chance going to be achieved or how could it be achieved if we move to refer the bill back to committee with instructions to report? Then the committee could massage the bill along the lines talked about by the Senator from Louisiana and report the bill. Another way would be to have the committee hold hearings. We would then have a committee amendment or a series of committee amendments to the bill.

I have heard questions as to how this is supposed to be done. I do not think I have had any answer yet.

Mr. LONG. Mr. President, as far as I am concerned, it would be satisfactory to me—and I am not asking it—if it would solve the problem, to do what we do sometimes in committee and just agree by unanimous consent that if the amendment is agreed to, it will remain subject to further amendment. That would not be the case here on the floor, but it could be done by unanimous consent. If one or two Senators are not happy, this might make them happy. It is very difficult to make 100 Senators happy.

Mr. MANSFIELD. It is impossible.

Mr. LONG. The majority leader says it is impossible. I imagine that is right.

If we cannot get unanimous consent, we should move to table and see where our votes are. We think that we have the votes to defeat the Williams amendment. We would like to have an opportunity to find that out sooner or later, before midnight.

Mr. MANSFIELD. I do not know whether we have the votes. However, we would have a clean-cut test. And if the amendment is not tabled, then other amendments could be offered; amendments affecting the railroads in Montana, corporations in Los Angeles, and other corporations in other States.

Mr. LONG. And some subsidies for the ship lines.

Mr. MANSFIELD. And cargo planes and barges.

The VICE PRESIDENT. The Senate will be in order.

Mr. MILLER. Mr. President, let us suppose that the Williams amendment is tabled. I would still like to know what the procedure is going to be whereby the Senate Finance Committee is going to

be able to sit down and possibly hold some further hearings on the part of individual Senators and have the committee consider the various amendments that the majority leader has talked about that are about to be offered if the Williams amendment is not tabled.

Mr. LONG. We will hold hearings and vote. It is that simple.

Mr. MILLER. When will that be done?

Mr. LONG. When we dispose of the bill. We cannot do it before we dispose of the bill.

Mr. MILLER. I understand that. However, does that mean next week?

Mr. MANSFIELD. It could mean next week or next month. It would have to mean before October 31. It is my anticipation that a tax reform bill—and what we are speaking of is in the nature of tax reform—would be considered and reported well ahead of October 31.

Mr. MILLER. When the Senator says reported, is he referring to reporting the bill which would be referred back to the Finance Committee?

Mr. MANSFIELD. No. That is on the calendar. That will stay on the calendar.

Mr. MILLER. He is referring to a series of committee amendments which would be reported.

Mr. MANSFIELD. The Senator is correct. And perhaps the proper vehicle may be the tax reform bill which I understand is due here from the House in the next week or 10 days.

Mr. MILLER. The Senator suggests the possibility that this may be resolved in the tax reform package itself.

Mr. MANSFIELD. It could be. There would be that possibility. And there is always the bill which is on the calendar. It could be called up at an appropriate time.

Mr. MILLER. I appreciate that the majority leader has a difficult time in attempting to go much beyond that point. However, he has given his assurance, and so has the Senator from Louisiana, that there will be opportunities for individual Senators to go before the Finance Committee and that the Finance Committee can consider this before October 31 and report the bill to the Senate.

Mr. MANSFIELD. Mr. President, may I say that as far as my longtime friend, the distinguished Senator from South Dakota (Mr. MUNDT) is concerned, the Senator with whom I had the honor to serve in the House as well as in the Senate, I am indeed sorry. I did not think, however, that it was necessary to spell this out in such great detail.

I place great trust and confidence in the people in whom the Senator from South Dakota places trust and confidence. And I did notify them ahead of time. I thought that was sufficient. If it was not, I must apologize.

Mr. MUNDT. Mr. President, there is no necessity to apologize. However, the distinguished majority leader must remember that we do not have instant communication. It was not until 10 minutes ago that I first heard about the desire and the determination of the majority leader to employ the tabling motion which left me without a star to hitch my wagon to.

Mr. MANSFIELD. The Senator can

discuss the matter and can berate the majority leader, justly perhaps, for not giving him the opportunity at this time if the amendment is tabled. The sky is the limit. He can do anything he desires.

Mr. MUNDT. Mr. President, I never berate the majority leader, even when I think he is wrong. This time I am not sure that he is wrong. He is faced with a serious dilemma. So are we all.

Mr. MANSFIELD. It is a delicate question.

The VICE PRESIDENT. All the time of the Senator from Louisiana has expired.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MANSFIELD. Mr. President, I yield 5 minutes to the Senator on the bill.

The VICE PRESIDENT. The Senator from New York is recognized for 5 minutes.

Mr. JAVITS. Mr. President, there are two questions that I think need to be answered. One is whether it is understood that the April 18 date will remain as the date.

Mr. LONG. Definitely.

Mr. JAVITS. This is very important to the American business community.

Mr. LONG. If it would make anyone happier, I have a resolution that I would be glad to offer which provides that it is the sense of the Senate that the investment credit should be and will be repealed as of April 18.

Mr. JAVITS. I think it is important from the point of view of the business community. The other question is whether the Senator proposes to include in the hearings the matter of modernizing the depreciation schedules. Depreciation schedules are really an essential part of the problem of taxation. We have used the 7-percent tax credit as a substitute for modernized depreciation schedules, in order to encourage modernization of plants. Therefore, now is the time to consider modernization of the schedules.

Mr. LONG. That is fine. I would be happy to consider that right now.

Mr. WILLIAMS of Delaware. Mr. President, we will vote in a moment. However, before we do so, I want to point out clearly so that there can be no misunderstanding that in my opinion the Senator from Montana has been more than a gentleman. He has bent over backwards to work with those of us who wanted an opportunity to vote and express our will on this measure.

I am hoping that we can defeat his motion to table and that we can act on this bill. I think we should.

Nevertheless, I want to make it clear that I do not at all consider that in his move to table he is exercising any unfair parliamentary procedure because if the situation were reversed he is doing exactly what I would do, and that is to take advantage of the parliamentary procedures of the Senate to expedite it. I want to make that clear, because I expected his motion. In fact, I was delighted that we got a vote on the merits of the previous amendment.

Now, as to the argument that this investment tax credit repeal before us has



not had adequate hearings, I point out that the Senate did have hearings for 5 days. Various Senators did appear before the Committee on Finance, express their views, and make their recommendations, and the hearings have been printed. The Senator from Louisiana is correct in stating that it was reported by the committee by a vote of 9 to 8, under rather unusual circumstances.

We voted to report the bill before individual Members did get a chance to offer their amendments. At that time I said that such a procedure did create problems. It meant we would have to consider the various amendments on their merits on the floor. I realize that arguments could be made about the procedures, but this was not my fault.

As the Senator from Georgia pointed out, in his 12½ years in the Senate this is the first time it has happened. I will go further than that. I have been in the Senate 23 years and have been a member of the Finance Committee close to 19 or 20 years. This is the first time we have ever operated under such circumstances in which the committee would be told in advance by a policy committee that the committee could or could not report a bill and if reported just what amendments would have to be adopted first.

We have already expressed our views on these unusual and strange circumstances. We do not solve anything by debating them further now. So far as I am concerned I am willing to proceed to a vote.

I hope we can defeat the motion of the Senator from Montana. But as he makes that motion I make it clear that I see nothing wrong with the procedure he is following, and if I were in his position I would take the same steps he is taking.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield 1 minute to the Senator from South Dakota.

Mr. MANSFIELD. Mr. President, I thank my distinguished friend.

Mr. MUNDT. Mr. President, it is quite apparent what action the Senate is going to take. It is all perfectly proper and perfectly legal, and those of us who sometimes become a minority of one have perfectly appropriate and useful tools we can use to protect ourselves against a repetition of what has happened here today.

We are up against a deadline in a tax measure. I am not going to avail myself of the parliamentary tactics which would enable me to compel a vote on the Mundt-Miller amendment which involves an exemption for farmers and smaller businessmen; but I do ask unanimous consent that the amendment I had hoped to offer, which is now going to become an orphan when the motion to table is made, be printed at this point in the RECORD. It is sponsored by the Senator from Delaware (Mr. WILLIAMS), the Senator from Iowa (Mr. MILLER) and myself.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

At the end of proposed section 49(a) strike the period and insert the following after

"property": "and property to which subsection (e) applies."

At the end of proposed section 49 add the following new subsection:

"(e) SMALL BUSINESS AND FARMER EXEMPTION.

"(1) IN GENERAL.—In the case of section 38 property (other than pre-termination property)—

"(A) the construction, reconstruction, or erection of which is begun after April 18, 1969, or

"(B) which is acquired by the taxpayer after April 18, 1969, and which is constructed, reconstructed, erected, or acquired for use in a trade or business, or farming, the taxpayer may select items to which this subsection applies to the extent that the qualified investment for the taxable year attributable to such items does not exceed the small business and farmer exemption limitation (as determined under paragraph (2)). In the case of any item so selected (to the extent of the qualified investment attributable to such item taken into account under the preceding sentence), subsections (c), and (d) of this section, and section 46(b) (5), shall not apply.

"(2) SMALL BUSINESS AND FARMER EXEMPTION LIMITATION.—For purposes of paragraph (1), a taxpayer's small business and farmer exemption limitation for any taxable year is \$25,000.

"(3) SPECIAL RULES.—

"(A) Married Individuals.—In the case of a husband or wife who files a separate return, the amount specified in paragraph (2) shall be \$12,500 in lieu of \$25,000.

"(B) Affiliated Groups.—In the case of an affiliated group, the \$25,000 amount specified in paragraph (2) shall be reduced for each member of the group by apportioning \$25,000 among the members of such group in such manner as the Secretary or his delegate shall by regulations prescribe.

"(C) Partnerships.—In the case of a partnership, the \$25,000 amount specified in paragraph (2) shall apply with respect to the partnership and with respect to each partner.

"(D) Other Taxpayers.—Under regulations prescribed by the Secretary or his delegate, rules similar to the rules provided by sections 46(d), 48(e), and 48(f) shall be applied for purposes of this subsection."

Mr. MUNDT. Mr. President, I believe the 7-percent investment tax credit should be repealed. I do not, however, believe the repeal should be across the board.

There are two groups of individuals, or businessmen if you like, that would be extremely hard hit if the credit is taken away completely. They are small businessmen and farmers. They feel the noose of inflation much, much more than the general business community because their capital is more limited. They do not have the options open to them that their larger and more flexible competitors do. For this reason I believe this bill should be amended to provide a \$25,000 exemption in the repeal of the 7-percent investment tax credit.

Mr. President, such an exemption would not unduly hamper our efforts to control inflation and yet at the same time it would be of major importance to farmers and small businessmen, providing the margin in some instances perhaps between survival or failure.

It is difficult to estimate the cost to the Treasury if the investment credit were continued on maximum annual purchases of \$25,000. No one can accurately predict how widely it will be used.

For the purposes of speculation, however, let us take a look at possible use by farmers.

In 1967 gross farm capital expenditures for machinery, equipment, and motor vehicles for farm business use totaled \$4.819 billion. If the 7-percent investment credit were applied to all such purchases, which could not be the case, the tax saving in that year would have amounted to \$337.33 million. A more reasonable figure, however, might well be \$200 to \$225 million on agricultural purchases only.

Even so, I submit it is safe to say the reduction in revenue would only be a fraction of the original anticipated increase in Treasury receipts of \$1.35 billion in fiscal 1970 and a much smaller percentage of the \$2.6 billion expected in fiscal 1971.

Weighed against this relatively small loss in revenue must be the advantages to be gained by such an exemption. First let us look at the small businessman.

Small businessmen need access to funds in these times of high interest rates more than ever. In 1962 testimony in favor of the tax credit, Secretary of the Treasury Dillon pointed out that the increased cash flow would be particularly important for new and smaller firms which did not have ready access to capital markets and whose growth was often restrained by a lack of capital funds. The exemption, by reducing their tax liability somewhat, will aid in accomplishing this.

A \$20,000 exemption was provided in the suspension of the tax credit in 1966. As was pointed out then, such action was consistent with long-standing public policies to foster small business and farming and would be of substantial aid to small business enterprises and farms, many of which have difficulty raising funds because of existing monetary restrictions. A \$25,000 exemption would be a negligible factor in the investment decisions of larger corporations and therefore will not vitiate against the effectiveness of the repeal. Since investment by small businesses and farms is a relatively small percentage of investment in machinery and equipment, this provision would not result in any substantial loss of expected revenue.

There seems fairly general agreement that the investment tax credit has been a factor in the decisions of many small firms to modernize. If the credit can be continued at modest cost to the Government, it would benefit farmers and small businessmen substantially. The small businessman and the farmer are usually excluded from the normal money markets and means of financing. Therefore, in periods of tight money, particularly rationing of bank credit, reducing his tax bill will substantially aid him in his financing problems. Also, in line with the President's statement, one of the major reasons for repeal of the credit, namely, the encouragement of business in poverty areas, will actually be helped by the \$25,000 exemption, since this would encourage small businesses in urban depressed areas and aid minority ownership of businesses. It has been estimated by the Treasury that the credit increases the profitability of investment



far more per dollar of revenue cost than any of the other alternatives, such as accelerated depreciation, and so forth.

In summary, it would appear that this exemption is both compatible with the reasons of the administration for repealing the overall investment tax credit, and would be of substantial benefit to small businesses.

Now, Mr. President, let us look at the farm situation. Those of us who have a deep and abiding concern for our farmer constituents must be deeply concerned by the continuing increase in farm production expenses. In the United States, since 1960, farm production expenses have increased from \$26.4 billion to \$35.9 billion in 1968.

Secretary Hardin has recently testified that expenses this year will increase another \$2 billion. He also points out that this increase will be almost entirely the result of price increases rather than the result of a greater volume of supplies and equipment purchased.

In my own State of South Dakota, farm production expenses have risen from \$476 million in 1960 to over \$700 million in 1968.

The farmer is paying more and more for machinery, equipment, and supplies each year. In spite of the recent improvement in the index of prices received, it is an understatement to say that the prices received by farmers have not gone up in proportion to his increased costs. The scissors of the cost price squeeze are bearing down disproportionately upon our farm families. In talking to farmers, I find that once the prices of the items used in agricultural production rise, they seldom decline. Prices received by our American farmers have been far too much below parity for far too long.

For the record, I wish to include a table showing what has happened to the index of costs for certain commodities used in farm production:

(1957-59=100)

Period	Motor sup- plies	Motor ve- hicles	Farm ma- chinery	Farm sup- plies	Building and fencing materials
1957.....	100	96	96	100	99
1958.....	100	100	100	100	99
1959.....	100	104	104	100	102
1960.....	101	102	107	100	102
1961.....	102	102	110	101	101
1962.....	101	105	111	101	101
1963.....	101	109	113	101	101
1964.....	101	111	116	102	100
1965.....	102	113	119	103	101
1966.....	102	117	124	103	103
1967.....	105	121	129	104	105
1968.....	107	129	138	107	113

Farmers are carrying very heavy financial burdens. They are continually making substantial capital investments in order to improve their efficiency. Fewer farm workers in 1968, in combination with greater quantities of most other production inputs, supplied food and other farm products to an increased domestic population. In addition, through exports, they supplied products to countless consumers in foreign countries. Total domestic and foreign consumers reached more than 43 per farmworker in 1968—20 more than a decade ago. The gain in

persons supplied per farmworker has resulted from greater application of modern technology both on and off the farm, including the transfer of jobs from farmworkers to non-farmworkers.

One of the constructive ways to give practical help to farmers to reduce the impact of the cost price squeeze and to share more equitably in the strength and prosperity of the American economy would be to provide a 7 percent investment tax credit up to \$25,000 for farmers and small businessmen. Farmers have come to rely on this credit in their operations. I believe it should become a permanent feature of our tax system. The Mundt-Miller amendment moves in this direction.

America's first industry was agriculture. It remains our greatest. It provides the means for feeding not only our people, but in addition provides means for alleviating hunger all over the world. It provides employment for about 18 million Americans who work at not only growing our crops, but processing them and shipping them to market and supplying our farmers. The products of our agriculture bring to the table the family income. The production of one out of every four acres moves into export markets. American farm exports are an important plus factor in our balance of payments. The bounty of our farms under the food for peace program enabled millions of people in other lands to survive. However, the American farmer who is making this great contribution to America's prosperity still does not share equitably in it. My proposal today would at least redress some of this disparity.

Just like any other businessman, the farmer seeks a fair return for his great risks and effort. There is no means to assure the return. With this proposal we can be of practical help. Mr. President, if the tabling motion on the Williams amendment prevails—and it looks as though this is going to happen—we shall try again. We shall try to achieve this small businessmen-farmer exemption through Finance Committee action. If we fail there we shall try again on the floor of the Senate under more appropriate parliamentary conditions.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. MUNDT. I yield.

Mr. MANSFIELD. Mr. President, who knows—the tabling motion may be rejected, and then the Senator would have his chance.

But I would hope that the Senator did not mean to imply that because something which was done entirely within the rules—unfortunately, unknown to the Senator, although it is included in the consent agreement—is an indication of an intimidation on the part of the minority party toward the party which happens, a least for the time being, to be in the majority.

I would point out to the Senator that it is his administration which is in power in the executive branch of the Government. I would point out that what the majority party has done has been to come a long way, I think, to try to reach an accommodation with the Republican

leadership, the ranking minority member of the Committee on Finance, and the administration. It would have been just as easy not to have done anything, to have remained at our original post, to let misunderstandings arise, and thereby allow the surtax to expire at midnight tonight. But we felt we had a responsibility to the Nation, just as the other side has, although a more definitive one because of the control at 1600 Pennsylvania Avenue. We had thought we had worked out a reasonable accommodation. We had understood that it had met with all-around approval.

The only fault I can find is that we really did not give enough time to the Senate to consider the unanimous-consent request last night. But the only explanation I can give is that circumstances made it necessary to act as we did.

So I would hope there would be no threats on either side against the other party, because we ought to work in harmony; we ought to work in comity. We ought to recognize that we are all public servants and have responsibilities.

The Senator from South Dakota and the Senator from Iowa are interested in an amendment to take care of the small businessmen and farmers in their part of the country, an amendment which I am sure I would support on another occasion. May I say that I am also interested in the transportation industry in the State of Montana, and I dare say this could be multiplied 25 times and perhaps more.

At least let us recognize the integrity of one another and try to get along as best we can. I am certain that is what the Senator from South Dakota has in mind.

Mr. WILLIAMS of Delaware. Mr. President, I yield 2 minutes to the Senator from Vermont, but before I do I want to point out that it has been implied in every unanimous consent agreement that has ever been entered into in the Senate that motions to table the amendments are in order, and everyone understood it. I cannot overemphasize the fact that there has been no maneuvering on this point.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG. Does not the Senator know that if he is not happy with what happens, he can always offer another amendment like it? Just change a single word and start all over again.

Mr. WILLIAMS of Delaware. Mr. President, I yield 2 minutes to the Senator from Vermont, and I yield back the remainder of my time thereafter.

Mr. PROUTY. Mr. President, I am delighted that after these many years, many of our friends in this body, with bated breath and grandiloquent approval, are now rushing down the sawdust trail to tax reform.

I listened with interest to the colloquy which occurred a few minutes ago. It seems to me that insofar as the investment tax credit is concerned, the reform will be primarily apropos to some of the major industries in this country. It may well be that it can be demonstrated that it is in the national interest to make this apply. But certainly this can be done at



such future date when the tax reform bill is taken up.

But let us remember this: Today the Senate voted to continue the surtax for 6 months. That affects the little guy in this country, the people in the low-income brackets, as well as others. We refuse to take any action to curtail the subsidies now being given to American business. If that is equity, I fail to see it.

I yield back the remainder of my time.

The VICE PRESIDENT. All time has been yielded back. The question is on agreeing to the amendment of the Senator from Delaware.

Mr. DIRKSEN. Mr. President, I yield myself 2 minutes.

Mr. HOLLAND. Mr. President, have the yeas and nays been ordered?

The VICE PRESIDENT. No, they have not.

Mr. HOLLAND. Mr. President, will the Senator yield to me so that I may ask for the yeas and nays?

Mr. DIRKSEN. No, I will not yield.

The VICE PRESIDENT. The Senator from Illinois has the floor.

Mr. DIRKSEN. Mr. President, a week ago today, I started to sit in first one conference and then another, and many times the distinguished Senator from Delaware was at my elbow. It was sort of give and take and offer and retreat and recede, in the hope that something could be worked out because of the deadline that was before us on the surtax and on the withholding tables. At long last, we managed to get something in the way of a little more bread than I had anticipated earlier in the day, and we sat last night in the minority cloakroom and contrived this order.

If Senators will just go to the trouble to read the order, there will not be quite so many questions, because the first part of the order reads:

Be made the pending business and that during its further consideration, debate on any amendment, motion, or appeal, except a motion to lay on the table, shall be limited to 1 hour.

We recognized the right to offer the motion to table, and it was discussed in that cloakroom.

The majority leader is well within his rights because I made the suggestion that there might be amendments and I would offer to table if I felt it was going to complicate the problem that is before us.

I also said if there was an amendment that did not comport with the germaneness rule, whether it came from my side or the other side, I would stand up and make a point of order against it, and I would have done so.

I want to see this bill out of here and on the way to conference before we have to come up against any more confrontations with deadlines. That is all I have to say. I concur entirely with the distinguished senior Senator from Delaware and I concur with the distinguished majority leader. He is entirely within his rights. So I am ready to vote.

Mr. President, yeas and nays.

The VICE PRESIDENT. The yeas and nays have been requested.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum not to

exceed 2 or 3 minutes while I hold the floor.

Mr. HOLLAND. Mr. President, will the Senator yield for a question?

Mr. MANSFIELD. I yield.

Mr. HOLLAND. Has the Senator made his motion to lay on the table?

Mr. MANSFIELD. No. That is what I intend to do now.

Mr. HOLLAND. This was a request for yeas and nays on the motion to lay on the table?

Mr. MANSFIELD. No.

Before I make my motion I want to say I am indeed sorry that anything has entered into the debate which could be considered personal in any way, shape, or form, or be considered derogative of the rules of conduct or procedures of the Senate. This, of course, is a measure which does arouse a lot of interest because there is always interest where one's pocketbook or economic constituency is concerned.

Before I make the motion to table I would like to make the following statement.

May I say that the amendment of the Senator from Delaware (Mr. WILLIAMS) was anticipated at this time under the consent agreement of yesterday. I feel today as I did then that its adoption will impede and, perhaps, jeopardize the passage of this bill for reasons previously enumerated. If adopted now, it will add a complication to the immediate problem of securing a partial extension of the surtax before the deadline.

My understanding, moreover, is that there are at least 12, perhaps 27, and maybe more amendments which Senators from various States would like to have the opportunity and the privilege to offer to the pending amendment. These amendments are in the wings just waiting to make an appearance. As I stated previously, each one of these amendments to the amendment would be subject to full debate on the basis of the unanimous consent agreement. Each one could consume an hour's time. It is conceivable that we would be here not merely far into the night but far into tomorrow and the day after. In the interim I scarcely need to remind the Senate that the surtax would have expired.

Yesterday I stated on the floor—and I emphasize the matter again—the question of repealing the investment credit as of April 18, 1969, will be disposed of during this session of Congress. It will be brought up and it will be retroactive to April 18, 1969. There should be no uncertainties and no misunderstandings on that score, although I realize we are all subject to human error, and indeed something may come up to foreclose it. But as far as promises and commitments are concerned, they have been made, and as far as the Senator from Montana is concerned, he will do his best to see that they are strictly adhered to.

By setting aside this amendment at this time nothing will be lost. There is my personal commitment and that of the Majority Policy Committee and the Finance Committee—the Finance Committee which included the Senator from Delaware—that the repeal of the investment credit will be considered along

with tax relief for lower income groups and the extension of the excise taxes and the general tax reform this session of the Congress.

There is no justification in my judgment for complicating the immediate issue with this item. There are other items of equal importance that may very well be added to the measure on which we are now working.

The overriding consideration is the realization during this session of a more equitable tax structure. We are on our way to that objective and let us proceed to it step by step. For the present, I urge the Senate and Senators on both sides of the aisle to join in postponing the passage of this particular repeal on this bill, with the full expectation of passing it during this session of the Congress, retroactive to April 18, 1969.

Mr. HOLLINGS. Mr. President, I have urged for some time the repeal of the investment credit to arrest inflation. I realize that if the repeal is placed on this particular measure, then an impasse will result on the surtax, which expires tonight. The President and the Democratic Policy have all urged to act tonight without impasse, and therefore I oppose the Williams amendment on the clear understanding that an opportunity to vote to repeal the investment credit will be afforded the Senate within the next 60 days.

Mr. President, I move to table the pending amendment and I ask for the yeas and nays.

The VICE PRESIDENT. The yeas and nays have been requested. Is there objection? The Chair hears no objection, and it is so ordered.

Mr. PERCY. Mr. President, will the Senator yield?

Mr. MANSFIELD. If I can.

The VICE PRESIDENT. No further debate is in order at this time.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that I may yield 1 minute to the Senator from Illinois.

The VICE PRESIDENT. The Chair hears no objection, and it is so ordered.

Mr. PERCY. Mr. President, I would like to indicate that I intend to support the motion to table repeal of the 7 percent investment tax credit made by the majority leader and I would like to indicate why, because my reasons may well differ from his.

I am deeply concerned about repealing the investment tax credit now. I think we can make a much better decision a few months from now.

I am concerned about the fact that we have 6 million wage earners whose contracts are coming up for reconsideration. We have had in the first half of 1969 wage increases at an annual rate in excess of 7 percent, with 15 percent increases average in the construction industry and 21 percent in some areas for carpenters alone. Last year wage increases exceeded increases in productivity by 4 percent.

I am concerned about the fact that we had a \$7 billion trade surplus that has shrunk to almost zero today. I do not know how American industry is going to meet these wage demands and compete in world markets if we take away the in-



centive to improve and modernize equipment. I think it would be a mistake to make this move today.

More than that, I support the motion to table because we should clear the way for a simple extension of the surtax and limit the matter to that one issue today because of the critical factor of timing with the surtax expiring at midnight tonight.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Montana to table the amendment of the Senator from Delaware. On this question the yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

The result was announced—yeas 66, nays 34, as follows:

[No. 62 Leg.]

#### YEAS—66

Allen	Hart	Mondale
Anderson	Hartke	Montoya
Bayh	Hatfield	Moss
Bible	Holland	Muskie
Burdick	Hollings	Nelson
Byrd, Va.	Hughes	Pastore
Byrd, W. Va.	Inouye	Pell
Cannon	Jackson	Percy
Case	Javits	Proxmire
Church	Jordan, N.C.	Randolph
Cranston	Kennedy	Ribicoff
Dodd	Long	Russell
Eagleton	Magnuson	Sparkman
Eastland	Mansfield	Spong
Ellender	Mathias	Stennis
Ervin	McCarthy	Stevens
Fong	McClellan	Symington
Fulbright	McGee	Talmadge
Goodell	McGovern	Tydings
Gore	McIntyre	Williams, N.J.
Gravel	Metcalf	Yarborough
Harris	Miller	Young, Ohio

#### NAYS—34

Aiken	Dole	Pearson
Allott	Dominick	Prouty
Baker	Fannin	Saxbe
Bellmon	Goldwater	Schweiker
Bennett	Griffin	Scott
Boggs	Gurney	Smith
Brooke	Hansen	Thurmond
Cook	Hruska	Tower
Cooper	Jordan, Idaho	Williams, Del.
Cotton	Mundt	Young, N. Dak.
Curtis	Murphy	
Dirksen	Packwood	

So the motion of the Senator from Montana (Mr. MANSFIELD) to lay on the table the amendment of the Senator from Delaware (Mr. WILLIAMS) was agreed to.

Mr. TYDINGS. Mr. President, on numerous occasions this year both on the Senate floor and in statements to the press, I have issued a pledge to the people of Maryland that I would not support an extension of the 10-percent surtax unless it was accompanied by thorough-going tax reform.

I made this pledge to the people of Maryland for several reasons. First, the 10-percent surtax is a regressive tax which falls hardest on those who can least afford it—the middle-income taxpayers. To extend this regressive tax without first eliminating the inequities in our present tax system—inequities which force middle-income families to pay more than their fair share of taxes—would be unfair to the great majority of taxpayers in Maryland and in the Nation. Why should the average taxpayer suffer the hardship of an extended surtax while billions of dollars in potential tax revenue that could be used to combat inflation slip through the loopholes in our tax

system into the pockets of the special interests?

Second, if the 10-percent surtax is extended the full half-year the administration has requested, the position of those in the Congress demanding major reform of our tax system will be seriously undermined. In effect, we will have lost our principal bargaining tool. Once again, tax reform proposals will be vulnerable to the powerful lobbies of the special interest groups intent on preserving their tax privileges.

The legislation before us today would enact the full half-year extension of the 10-percent surtax requested by the administration without actual thorough-going tax reform.

It is true that the Senate has stated its intention to consider tax reform measures in the coming months. However, this is not enough. I feel compelled to point out that the history of our past failures in the area of tax reform is replete with good intentions. As the record shows, tax reform is more easily discussed than enacted.

Therefore, because it is unfair to the average American taxpayer and will seriously cripple efforts in Congress to achieve meaningful tax reform, I must cast my vote against the half-year extension of the 10-percent surtax.

I am as concerned about inflation as any Member of the Congress. We must halt the steady erosion of the dollar.

However, there are other ways to halt rising prices. Last year, when I supported the surtax as a one-time-only stop-gap against inflation, I also voted to cut Federal spending by \$6 billion. In addition, I voted throughout the year against other billions of dollars in unnecessary and defensible Federal spending. Those budget cuts produced the \$3.1 billion surplus for the fiscal year ending this June.

It is my conviction that balancing the budget by cutting expenditures is a far better way to fight inflation than passing regressive taxes. This is especially true as long as the existing tax loopholes continue. Closing the major loopholes in our tax system would have at least as great an impact on inflation as extension of the surtax. Cutting military expenditures to eliminate the estimated \$10 billion in wasteful unnecessary expenditures each year would also be at least as effective as the surtax. Still other possibilities exist.

In short, the surtax is neither the only way nor the best way to combat inflation. I cannot vote for it simply because it is the only remedy the administration has offered.

Mr. NELSON. Mr. President, last year I voted against the 10-percent surtax on the ground that it was inequitable, inadequate, and would not stop the inflationary spiral. It in fact did not slow up the inflationary trend but rather contributed to it by a massive round of wage and price increases. We need now as we needed a year ago a much stronger dose of medicine than this bill provides if we mean to deal realistically with the critical inflation problem. I ask unanimous consent to have printed in the RECORD the statement I made on this matter a

year ago which still reflects my viewpoint as of this time.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR GAYLORD NELSON BEFORE THE U.S. SENATE, JUNE 21, 1968, AGAINST THE IMPOSITION OF THE SURTAX

Mr. President, this country is faced with a series of serious local, social and international problems including an unbalanced budget, a drain on the dollar, inflation, the war in Vietnam and massive unmet social needs at home. This tax increase will not solve our fiscal problems, and the budget cut will intensify our social problems. The tax increase puts the burden on the wrong people and the budget cut will take the money from the wrong places.

I recognize we must make budget cuts and increase revenues to close the gap between income and outgo. When this measure was before us several weeks ago, I voted for a \$14 billion tax on excess profits and against the 10 percent surtax because it is unjust and unfair in the extreme. I would vote again for an equitable tax measure if there were one before us despite the fact that our fiscal problem is caused by a tragically mistaken war that I have fought and voted against since 1965. Today, I hope we will not have to listen to pious lectures on high taxes and fiscal irresponsibility from those who supported the launching of a ground war in Vietnam in 1965.

This tax package will levy a 10 percent surtax for \$11.6 billion, continue auto and phone taxes and speed up corporation tax collections, for a total of about \$15 billion. Combined with a \$6 billion budget cut it still leaves an untenable budget gap; it will not stop the inflationary spiral; it will not stop the drain on the dollar; and it will not leave enough in the budget for critical social programs. You know that, Mr. President, and I know that, and administration spokesmen will privately concede it if we press the point vigorously enough. But they tell us, this is the best stopgap emergency measure we can get through Congress. What other measure has the administration tried to get through Congress? Why have they not come to Congress with the kind of tax that lays a fair share of the burden where it ought to go—an excess profits tax on unprecedented profits of a war economy. Is it not ironic that the financial and business leaders of America are the administration cheerleaders for this tax increase. Well, why not? They will not have to pay it.

It is in the national interest they tell us. In times of crisis, we Americans must all stand together, they say. I can buy that, but while we are all standing together why not throw in our tax money together too? During the Second World War in 1944 the excess profits tax produced \$10 billion out of an economy a fraction as large as this one.

The 10-percent surtax will not much be noticed by the rich, the affluent or the well to do. It will just reduce their savings or investments a relatively modest amount. But for those who are trying to save a little bit or who are having trouble balancing their budget and keeping up with the inflation, the tax increase does mean something. Even more important is the principle involved. Americans have always been willing to sacrifice in the interests of their country when called upon to do so. I trust it will always be so. But they properly resent it when the sacrifice is not fairly shared by all. In fact it is pretty hard to make a convincing case for the urgency of the cause with a proposal like this one. In good conscience we must concede this is a tax prescription with the wrong medicine for the wrong patient.

If we mean business about this serious matter, for heavens sake let us confront it head on with a proposal that resolves the



issue and does it fairly. That means we should junk this measure and call upon the administration to come up with a proposal that does the job. Under the circumstances, that is where the proposal should come from. If they have no recommendation to make we then should do the job ourselves.

The budget should be put in balance and it can be accomplished if we have the courage to levy the taxes where they should be levied and cut the budget where it should be cut. We are living in a wartime economy with the highest profits in history yet we are asking them to sacrifice almost nothing while we discriminate against programs for the poor, the jobless, the elderly, the hungry, and the untrained and uneducated youth of America.

We should enact a tax and budget package that raises \$22 billion in taxes and cuts the budget by the amount recommended by the President—\$4 billion; \$14 billion should be raised by an excess profits tax, \$5 billion from the surtax, \$2.7 billion by extension of the phone and auto excise taxes and \$300 million miscellaneous—removal of tax exemption from certain industrial development bonds, and so forth. This combined with a \$4 billion budget cut will total \$26 billion.

In my judgment, the emphasis on budget cuts should be in the military budget—a 5-percent research and development cut, for example, would save \$1.2 billion; postponement of the thin ABM several hundred million—public works, \$1 to \$2 billion should be postponed—with most of the balance being cut from space, SST, European troop reduction and military procurement.

This would put us in a fiscally sound position with a balanced budget or at most a modest imbalance. If within a reasonable time this did not reverse the inflationary trend the President should request the imposition of price-and-wage controls. We cannot afford to permit the inflationary trend to continue at its present rate.

We are in a war. Our fiscal situation is serious. We ought to have the courage to face up to it with a program that will do the job.

I therefore will vote against this conference report as I voted against the original bill.

Mr. McGOVERN. I will vote against the proposal to extend the income surcharge for 6 months. In my judgment, extension of this extra levy on individual income serves only to aggravate the demonstrable inequities in our tax laws and to burden further the individual taxpayer, whose shrinking real income is the victim—not the cause of inflation.

The economic interests of America would be best served at this time by enactment of a temporary tax excessive war profits, which are the products of extraordinary wartime military spending. This tax would apply a much more effective brake to the current inflation than the continued imposition of a regressive surtax. Meaningful action to curb our present inflation requires facing up to its root causes and making certain hard political decisions. The proposal to extend the income surcharge is not the product of such a decision.

The VICE PRESIDENT. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendment and third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

The VICE PRESIDENT. The bill having been read the third time, the question is, Shall it pass?

Mr. LONG. Mr. President, on that question, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. Mr. President. I yield myself 2 minutes.

It was my firm opinion that the Senate would have rendered a greater service to our country here today had we settled once and for all the question as to whether we were or were not going to extend the surtax for the full year, and also at what rate. I think it would have been better to face up to the question of whether we would or would not repeal the investment tax credit, and also the effective date, and what industries if any would be exempted.

The uncertainty in that respect is in my opinion creating a disturbance in the market. In my opinion this uncertainty will continue.

However, the Senate has had a chance to make its decision, and this bill is a step in the right direction. At the same time, I think we may have made a bad mistake in not clearing up the uncertainty and in not meeting head on the problem of combating inflation in this country.

One handicap in leaving undecided the so-called investment credit is that many of our corporations file their tax returns on a fiscal year basis. As a result of the Senate action it means that if and when we do repeal the investment credit, and if it is as of April 18 it creates accounting problems. In the meantime corporations will file their tax returns on a fiscal year basis, July 1, August 1, or September 1, for example.

The PRESIDING OFFICER (Mr. SAXBE in the chair). The time of the Senator has expired.

Mr. WILLIAMS of Delaware. I yield myself 2 additional minutes.

Whatever date is involved those corporations will file their tax returns and deduct the investment credit on the machinery that they are buying even after the April date. For example, the machinery the companies bought in August will be eligible for the credit since the law has as yet not been repealed. If they file their tax returns on the fiscal year basis on September 1 and if Congress acts at some future date the Treasury Department will have to give them 60 more days to file amended returns and pay the extra tax without interest. The Treasury has estimated that it will amount to about \$200 million by the end of September that will be lost in revenues, while this will be later regained the Government will be paying the interest in the meantime. As one company official pointed out to me, he was going to take his investment tax credit when he files his tax return August 1, put the money in 60- or 90-day Treasury bills, and draw 7 or 7½ percent interest on it. By keeping it there a few months while Congress postpones its decision, he can collect interest in the meantime.

I do not think that is a good way to run our Government. We should have met that problem head-on and made our

decision today. Five days of hearings were held on the measure. Members of the Senate had an opportunity to testify. While it is true the bill was reported rather hurriedly, under the parliamentary situation it could not be avoided.

I accept the decision of the Senate. As far as I am concerned I am ready to vote and shall support the bill even though in my opinion it falls far short of what should have been done.

Once again I express appreciation to the majority leader, who I know had very strong feelings on this question. Some of us wanted an opportunity to present our views on the bill, to offer amendments, and to have them accepted or rejected by the Senate on their merits. He has given us that opportunity. That is all I asked. I abide by the decision that the Senate itself has made.

Mr. DOMINICK. Mr. President, will the Senator yield me 2 minutes?

Mr. WILLIAMS of Delaware. I yield 2 minutes to the Senator from Colorado.

Mr. DOMINICK. Mr. President, this is a most irrational situation. I find myself, a member of the Republican Party, faced with a bill that has been developed by the Democratic policy committee. I find myself in a position of being asked by the Democratic majority to keep an added tax on individuals, but retain the tax credit for the benefit of companies and corporations. I find myself in a position where the Democratic leadership has said the surtax is not doing any good in controlling inflation; yet they say, "All right, we will extend it for 6 more months."

I find myself in the position of realizing that while there has been inflation even with the surtax, this would continue the surtax but retain the investment tax credit. Yet, high interest rates and inflation go on.

I think to pass a 6-month extension of the surtax and to do nothing else—which is what the Senate has decided to do today—is a mockery to the American people.

Mr. MANSFIELD. Mr. President, I yield 2 minutes to my colleague from Montana.

Mr. METCALF. Mr. President, before this debate comes to a close, I want to call attention to the fact that simply because there was an agreement not to debate the low income allowance sent over to us by the House as a part of the surtax bill, H.R. 12290, that does not mean those who need tax justice the most have been forgotten.

We must not forget that there are still some 5.2 million taxpayers at or below the recognized "poverty" level who are still paying income taxes. That is quite a contrast with the much quoted statistic of 155 tax returns with adjusted gross incomes above \$200,000 on which no income tax was paid, including 21 returns with incomes above \$1 million.

These are matters which will be subsequently considered, but they have been given inadequate consideration at this time.

Mr. DIRKSEN. Mr. President, I yield 2 minutes to the Senator from Tennessee (Mr. BAKER).



Mr. BAKER. Mr. President, I wish at this time to commend the Senator from Colorado (Mr. DOMINICK) for his succinct appraisal of the situation with which we are faced at this time. I would add one or two additional items of dilemma to that situation that have occurred to me.

First, our colleagues in the House of Representatives, on both sides of the aisle, were faced with the question of acting on fiscal responsibilities and casting their votes for an unpopular tax measure, bearing in mind that in passing the tax measure in the House of Representatives they also initiated tax reform with the repeal of the 7 percent investment credit, by dropping from the Federal tax rolls people with incomes below a certain level, by a reduction of the surtax to 5 percent after the first of the year, with the additional revenues that action provided.

All that has gone and we are faced with the prospect of taxing the people of this country and yet doing nothing to relieve inequities by tax reform. We have faced the challenge of tax reform and we have failed.

I feel reluctant, but I must cast my vote against passage at this point.

Several Senators addressed the Chair.

Mr. DIRKSEN. Mr. President, I yield 2 minutes to the Senator from Colorado.

Mr. ALLOTT. Mr. President, I cannot disagree with the statements made by my distinguished colleague, or those of the distinguished Senator from Tennessee, either one. But my vote will be different on this matter, and I think I should state why.

I have always thought that the so-called unified budget is phony. I am sorry that the Johnson administration adopted it. I am sorry that the Nixon administration continued it, because it presents a phony picture to the people of the United States.

Nevertheless, even though we have been deprived here of the opportunity to take 5 million poor people off the tax rolls, and of continuing the surtax at a reduced rate through next June, and even though we have not been able to do anything with the investment credit, this is a half loaf that I have to take, as obnoxious as it is to me, and this half loaf represents \$5 billion, which will be raised by the tax on this bill, and which will inure to the benefit of the Government, and otherwise will inure in a deficit on next June 30.

I quarrel with no one who has a different point of view, but since I have tried every way I can to get more, I shall take what I can get now.

In conclusion, Mr. President, may I just say this: this matter now goes to the House of Representatives. We do not know whether we will get a bill or not. I hope we do, and these other matters will certainly be up for discussion in a conference committee.

Mr. SCOTT. Mr. President, will the distinguished Senator yield?

Mr. ALLOTT. I yield to the Senator from Pennsylvania.

Mr. SCOTT. In order to save the Senate's time, let me simply say that the distinguished Senator from Colorado has

stated my sentiments exactly, and I intend to vote as he intends to vote.

Mr. MANSFIELD. Mr. President, I yield 2 minutes to the distinguished Senator from Rhode Island.

Mr. PASTORE. Mr. President, I was reluctant to rise to discuss this matter at this time, but in view of some of the charges that have been made on this floor, I think we should have some correction.

The opposition has talked about mockeries. Why do we not talk about the hypocrisy of our whole tax structure? That is what we are trying to correct, and that is the reason why the Democrats have held out for 6 months instead of the 12 months, in order that we could bring about the equity and justice that is necessary in our whole tax structure.

What is a surtax? A surtax is a tax on those who already pay a tax. We know that in this country there are hundreds upon hundreds of people who receive tremendous incomes, and yet do not pay one nickel in taxes; and therefore, if they do not pay a tax, there will be no surtax on any tax that they pay, and that is what we are trying to correct. That is all we are trying to do.

We have decided, in the policy committee, that the only reason why we would go for 6 months was because we wanted to assure the people of this country that we are going to have tax reform, and for no other reason. For no other reason.

So I am saying to those who are defending a 27½ percent oil depletion that the time has come when these multimillionaires should pay a tax like everyone else, on an equitable basis, on a justifiable basis, and not on a basis of favoritism.

That is what we Democrats are trying to do. We are trying to protect that wage earner who pays his share, and to catch the multimillionaire who gets away scot free.

Several Senators addressed the Chair. Mr. DIRKSEN. Mr. President, I yield 2 minutes to the Senator from Iowa.

Mr. MILLER. Mr. President, I do not like to see this matter closed off on a basis of partisanship. I have been here 9 years, and have been as much for tax reform as have most other Senators. I cannot say that the position of the Senator from Rhode Island has been crystalized during all these last 9 years. I am glad it is going to be this year.

But let us make it loud and clear that there is no partisanship on this issue of tax reform. There are shared views on tax reform on both sides of the aisle, and I do not think that this body ought to go off with that kind of a tail on it.

I should like to say this: Starting January 1 next year is when the low-income taxpayers were going to get relief. I say to my friend from Montana that we can wait and take care of them a little later on this year, because the effective date is not until next January 1.

With respect to the repeal of the investment tax credit, thanks to the Senator from Montana and the Senator from Louisiana, we have been assured that it is going to be repealed. They have the power on that side of the aisle, they

have a lot of support on this side of the aisle, and it is going to be repealed as of April 18th; so I think we can get on and do a job, and satisfy most of us now.

Several Senators addressed the Chair.

Mr. MANSFIELD. Mr. President, I yield 2 minutes to the Senator from Texas.

Mr. YARBOROUGH. Mr. President, I shall vote against the surtax extension, because I think it is a ranky unjust tax on the poor and middle income taxpayer, the upper middle income taxpayer and the lower middle income taxpayer, and the working man.

We proposed a just tax in the Senate last year, and were defeated—I think we got 18 votes—that is a tax on excess war profits. It would raise \$9.5 to \$10 billion a year. This surtax raises \$9.5 to \$10 billion a year, this revenue is an exact substitute for that which would be raised by the surtax.

We talk about tax reform, and we play tiddleywinks with a few hundred million here and a few hundred million there.

We had an excess war profits tax in World War I, an excess war profits tax in World War II and an excess war profits tax in the Korean war. Why is it less necessary today? Do we put the blood and lives of our youth in Vietnam at a lower level than we put the profits of the war contractors?

More than \$42 billion dollars are paid a year in prime contracts alone, scot free. This bill we have pending here will not confiscate those profits. It starts at nothing. The contractor who profits only to the extent of \$25,000 a year is not touched. The highest tax on such profits proposed is 37.5 percent. Yet it would raise 9.5 billion dollars to 10 billion dollars.

Mr. President, that is the fair tax. That is the just tax. That is the tax that has proved just and equitable in three different wars. It is no innovation and it would raise as much money as the surtax.

I think it ranky unjust to create these vast fortunes of hundreds of billions of dollars from the profits of war and the blood and lives of our young men, and not have a tax on these profits as we had in the last 3 wars. This war has already cost us \$100 billion—the most expensive war we have ever fought, except World War II. It has lasted longer than the Revolutionary War. We have had more casualties than in the Korean war. We are approaching the losses we had in World War I.

Yet we refuse to tax the profits of those who make money out of this evil conflict that has caused the crisis we face in Europe, that has caused high taxes, that has caused high interest rates, that has caused the flight of gold from our treasury and that constitutes the greatest evil faced by America today.

I shall vote against this unjust tax which is sought to be added today to the backs of the people.

Mr. DIRKSEN. Mr. President, I yield 2 minutes to the Senator from Nebraska.

Mr. CURTIS. Mr. President, I rise to say a kind word for the distinguished



senior Senator from Delaware (Mr. WILLIAMS). I know of no more stalwart public servant, past or present. If it had not been for him, there would have been no surtax enacted by the previous Congress. If it had not been for him, our efforts to reduce expenditures would not have proceeded as far as they did. He has conducted himself on this day, as he always has, as a perfect gentleman. He has lost a rollcall or two, but I do not think that, when the pages of history are written, they will mark up very many real losses to JOHN WILLIAMS. I commend him for his effort.

Mr. MANSFIELD. Mr. President, I yield 5 minutes to the distinguished senior Senator from Florida.

Mr. HOLLAND. Mr. President, I thank the majority leader. I join in paying tribute to the distinguished senior Senator from Delaware.

And I want to add to the name of the Senator from Delaware, the name of the senior Senator from Montana, the majority leader. I think they have both rendered a fine contribution here today.

Mr. President, of course none of us are pleased entirely with what we are about to do. However, it seems to me very clear that if we face up to the test of fiscal responsibility and stability in our government, it is the only thing we have a chance to do today. And, of course, I propose to vote for the extension of the surtax at 10 percent for the rest of the year.

Going further, I want to comfort those who, like me, may feel that 5 percent for the first 6 months of next year should also have been enacted by reminding them that it is coupled with a bill on the calendar containing some very attractive measures.

One of them is the extension of the excise tax, which has got to be done if our country is to be fiscally solvent.

Another is the matter of relief being afforded to certain persons of the very low income group from the tax burden. I believe that number is stated to be about 5 million.

Beginning with the consideration of the 1947 tax reduction bill and later the 1948 bill, the senior Senator from Arkansas (Mr. McCLELLAN), joined by the senior Senator from Florida, insisted that the promises that have been made to the poor people throughout World War II be redeemed. Those promises were redeemed. The exemptions were cut from \$500 a person. It was promised that they would be restored when we finished the war. We finally got \$100 restored in 1948.

We will have a chance in connection with the bill presently on the calendar to restore a little more and bring about a little greater degree of equity.

I express my appreciation to the junior Senator from Montana and to the senior Senator from Arkansas for the long, continuing battle they have made in this field.

The tax investment credit also is contained in the bill that is upon the calendar. I want the record to show that we are assured that with respect to the bill on the calendar, there is no request for recommittal of the bill. A study is

to be made in the committee with a view of reporting committee amendments to the investment tax credit bill which, of course, is in accord with normal Senate procedure.

I think we will have to complete the job at a later date. I will take great pleasure in aiding in the completion of the job at a later date. But it seems to me that we have faced up to the only thing we could do.

After all, that is what politics is. It is a matter of accomplishing what is just and what is good. And I think we are about to do that very thing today.

Mr. President, I am glad we are going to do it. I think it is the fiscally responsible thing to do. I think it puts us in a better light in the international community. I think it puts all of us in the position of having voted to maintain a sound and solvent government. And that is always greatly desired.

Mr. President, I am glad to vote for the bill. However, I would much have preferred it if we had voted for the entire provisions of H.R. 12290 as it came from the House and is on the calendar.

Mr. MANSFIELD. Mr. President, I yield 2 minutes to the distinguished senior Senator from West Virginia.

The PRESIDING OFFICER. The Senator from West Virginia is recognized for 2 minutes.

#### SENATE ACTS RESPONSIBLY

Mr. RANDOLPH. Mr. President, I believe that the Senate in a few minutes will act in a responsible way, responsive to the general feelings of the citizens of the United States.

It is my belief that they are willing to support extension of the surtax coupled with early action on tax reform. We are making a commitment to develop needed revisions of our tax structure which will be drafted under the leadership of Chairman Long and the members of the Finance Committee.

I commend the Senate on its realism with regard to a difficult surtax issue, involved with the absolute necessity for a more equitable tax base. Our leaders, Senators MANSFIELD, and DIRKSEN, have acted wisely.

There will be no unanimity in the final roll call, but I am sure each Senator will respect and understand the differences of conviction on this confused and complex issue.

Mr. MANSFIELD. Mr. President, I yield 2 minutes to the Senator from Arkansas.

The PRESIDING OFFICER. The Senator from Arkansas is recognized for 2 minutes.

Mr. FULBRIGHT. Mr. President, I do not want this moment to pass without paying tribute to the majority and minority leaders for the very fine job they have done in bringing a most difficult matter to a satisfactory conclusion.

I do wish, however, to raise one question. That concerns the apparent assurance that the surtax has been a restraint upon inflation. We have had the surtax for over a year. During that period of time we have had very great inflation.

I think the Senate can well consider, in view of the decreases in the market, in our economy, and in the reports from

some of our biggest corporations, whether we are not heading for a depression rather than for continued inflation.

I do not know. I am puzzled about it. I am not as sure as many of my colleagues seem to be that extending the tax is necessarily a good thing for our economy. It may well be that we will look back upon both the 10 percent surtax and the tax investment credit extension as not necessarily involving an incentive for the expansion of our economy. I am not as certain as many of my colleagues appear to be about the economics of the situation we are now facing.

However, I am very glad to pay tribute to both leaders for resolving the dilemma in which we found ourselves.

Most Senators would like some degree of reform in the existing tax structure. I think this is a step toward that. That is why I did not see any way to get out of it.

I compliment the leadership on both sides and especially the majority leader for the fine job that has been done.

The PRESIDING OFFICER. Who yields time?

Mr. DIRKSEN. Mr. President, I will add only 1 minute to the discussion.

I suppose ever since the dawn of time, man has been prophesying doom and gloom. I recall how out of Shakespeare it was said to Caesar, "Beware of the Ides of March."

On a given day Caesar said to those who had thus prophesied: "The Ides of March have come."

And they said to Caesar: "But not gone."

So maybe the Ides of March are here, and we will have to wait and see whether they are going or whether there is catastrophe and disaster combined because of their being here.

About one thing I am quite happy about. I am glad that we did not extend the debate into the month of August, because an astronomer would tell us that the dog star, Sirius, will come up in the western sky and be in the ascendancy for some time. And that is the star that connotes the dog days when men and dogs bite each other.

I would be afraid if we had the bill up for debate on the Senate floor when the dog days came.

How fortunate we are that we are committed to a needed summer recess starting at the close of business on the 13th of August.

We will all go home and discover from our constituency—from those who are, after all, the repositories of the power in this country—whether they liked our comportment and conduct in respect to the tax bill or not.

I have an idea that people will speak in language, as I used to say to Lyndon Johnson, that even a Texan can understand. And so, we will abide the time.

I like to equate what we have done today. The distinguished majority leader and I more or less started these conferences 8 days ago today. And I must say for him that he has been the soul of patience. He has come to my office more often, I suppose, than I went to his. However, it was always in the spirit of



sweet reasoning and the hope that somehow we could solve this difficulty and allay the concern and fears of people, and particularly those of the business community.

We have been partially successful, and if I had to render it into euclidean form today, I would have to say to my genial friend, the distinguished majority leader, that 8 days equals 1 month. That has been the result of all our efforts.

So we marched up and we marched down. And I hold those 30 days from November 30 to December 31 in the very hollow of my hand. And how I shall treasure them. In that period from November 30 to December 31, there are several great things that will somehow dissolve and dissipate so many of the anxieties and vexations of our people, because in that 30-day period there is the day of Thanksgiving and there is the day of Christmas. So let it be done.

Mr. President, I am glad the Members have remained, because I want to ask the majority leader now about what may have been contrived by way of a vote on Tuesday or Wednesday of next week on the amendments to the appropriation bill, and the bill itself, which contains the ABM language.

Mr. MANSFIELD. Mr. President, if I may advert to what the distinguished minority leader said in the beginning of his remarks, I would like to take not more than a minute of the Senate's time.

First, I want to say that the bill now before us was developed in the spirit of accommodation and understanding. The two amendments which were discussed, I think, were offered first by the distinguished Senator from Delaware (Mr. WILLIAMS), and therein lies the genesis for the measures which were considered on the floor to date. All he asked was a chance to have a vote on these two proposals; and eventually—through persistence, determination, and intelligence—he, in effect, had his way.

The second factor I want to mention is that the 30-day renewal was especially requested by the distinguished majority leader, and he was so persuasive and so considerate and so understanding that he, likewise, was able to have his way.

So this is not a 6-months bill; this is a Senate 6-months bill, in which both Democrats and Republicans have participated together.

In response to the latter portion of the distinguished minority leader's remarks, I think he ought to ask that question of the distinguished senior Senator from Kentucky, who for 2 weeks, to the best of my knowledge, has been trying to bring the ABM matter, the Cooper-Hart amendment, to a vote. He is the one who I believe could answer the question.

Mr. DIRKSEN. I address it, then, to the distinguished Senator from Kentucky and at the same time to the distinguished Senator from Mississippi.

Mr. STENNIS. Let the Senator from Kentucky speak first.

Mr. COOPER. Mr. President, the Senator from Michigan (Mr. HART) and I have conferred with the Senator from Mississippi (Mr. STENNIS) with many others who are interested in the amendment.

As a result of our conference, Senator HART and I propose the following unanimous-consent agreement:

We ask unanimous consent that on Wednesday, August 6, at 3 o'clock p.m., the Senate shall vote on the amendment to S. 2546 proposed by the Senator from Michigan (Mr. HART) and myself.

We also ask unanimous consent that on Tuesday, August 5, immediately after the morning hour, there shall be 4 hours of debate on the amendment, equally divided between proponents and opponents; that on Wednesday, the Senate shall convene at 11 a.m.; that there shall be no morning hour; that there shall be 4 hours of debate on the amendment, equally divided between opponents and proponents; that the time allotted to the proponents shall be controlled by the Senator from Mississippi (Mr. STENNIS) and the time allotted to the opponents shall be controlled by the Senator from Michigan and myself.

Mr. STENNIS. The proponents of the amendment.

Mr. COOPER. Of the amendment, yes.

Mr. RUSSELL. Mr. President, reserving the right to object—I do not intend to object, and I do not intend to offer any amendment—but the unanimous-consent request proposed by the Senator from Kentucky does not take into consideration any amendments or amendments in the nature of a substitute that might be proposed for the proposition advanced by the Senator from Kentucky and the Senator from Michigan.

I have no amendments, but I have seen Senators excluded from offering their amendments by virtue of such a unanimous-consent request; and I think that ought to be included—the amendment and any amendments proposed thereto—so at least a Senator could offer an amendment whether he had any time on it or not.

Mr. COOPER. I think the Senator is correct. We discussed this possibility. I thank the Senator from Georgia. I think he is correct.

I include in the unanimous-consent request that if any amendment is offered, there shall be 1 hour on the amendment, equally divided between the opponents and the proponents.

Mr. STENNIS. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. STENNIS. Any amendment offered to the Cooper-Hart amendment.

Mr. COOPER. Yes.

The PRESIDING OFFICER. Is there objection?

Mr. DIRKSEN. Reserving the right to object, I trust that the request will be quite clear. As I understand, no time on Monday is being encumbered by the unanimous-consent request.

Mr. COOPER. That is correct.

Mr. DIRKSEN. That time is free.

On Tuesday, the Senator asks us to come in at 11 a.m.

Mr. COOPER. No, not on Tuesday.

Mr. DIRKSEN. The request is to come in at 12 on Tuesday, and the Senator asks for 4 hours' debate, to be equally divided, after the morning hour on Tuesday?

Mr. COOPER. That is correct.

Mr. DIRKSEN. And on Wednesday, to come in at 11 a.m., no morning hour, and then a division of time. Does the Senator have a time limit for a vote?

Mr. COOPER. To vote at 3 p.m.

The PRESIDING OFFICER. Is there objection?

Mr. JAVITS addressed the Chair.

Mr. DIRKSEN. Mr. President, I have the floor, on reservation.

I am trying to get clear what the distinguished Senator from Kentucky—

Mr. PASTORE. Mr. President, we cannot hear the minority leader.

Mr. STENNIS. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. DIRKSEN. Mr. President, I am trying to make clear what the distinguished Senator from Kentucky is trying to do.

Mr. COOPER. Let me say, first, that this proposal was agreed to by the Senator from Mississippi (Mr. STENNIS), the Senator from Michigan (Mr. HART), and a number of other Senators who are interested in the amendment.

Mr. DIRKSEN. In connection with this, I had better ask the distinguished majority leader first whether it is proposed to recess or adjourn the Senate tonight until Monday.

Mr. MANSFIELD. No. It is anticipated that we will come in tomorrow. The distinguished Senator from Connecticut (Mr. DODD) has some remarks; there may be other Senators—the chairman of the Committee on Armed Services.

But I would anticipate no votes tomorrow, just routine business, speeches, and noncontroversial items that might be on the calendar.

Mr. DIRKSEN. That leaves Monday unencumbered for anyone who wants to discuss the bill or anything else.

Mr. MANSFIELD. Yes, as well as tomorrow.

Mr. DIRKSEN. And on Tuesday we would come in at noon, and have 4 hours of debate on Tuesday.

Mr. COOPER. Yes.

Mr. DIRKSEN. And then on Wednesday, we would come in at 11 a.m., no morning hour, and how much debate?

Mr. COOPER. Four hours.

Mr. DIRKSEN. Four hours on Wednesday.

Mr. COOPER. We cannot set a time now because of amendments offered.

Mr. DIRKSEN. But the vote would be had as expeditiously thereafter as possible?

Mr. COOPER. Yes.

Mr. DIRKSEN. I have no objection.

Mr. STENNIS. Mr. President, reserving the right to object—

Mr. DOMINICK. Mr. President, reserving the right to object—

Mr. STENNIS. I call attention to one additional point. There will be other time, if the Senate wishes, on Tuesday. The agreement asks for 4 hours of controlled time only. Of course, we want that time on that subject.

For the information of the Senate, this matter has been threshed out very carefully and has been gone over many times. The Senator from Kentucky and the Senator from Michigan have been quite



cooperative in it. I believe it represents a fine consensus which will accommodate the entire membership of the Senate.

Mr. COOPER. Mr. President, in view of the proper addition that was made to the request dealing with any amendments that might be offered to the Cooper-Hart amendment, it will be necessary to strike from the original request I made that we shall vote at 3 o'clock; because if amendments are offered, of course, we could not have both 4 hours of debate and still vote at 3 o'clock.

Mr. MURPHY. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. MURPHY. Does the Senator wish to limit the time on the amendment?

#### UNANIMOUS-CONSENT AGREEMENT

Mr. COOPER. Mr. President, I shall state the agreement again, as modified.

We ask unanimous consent that on Wednesday, August 6, 1969, but not before 3 p.m., the Senate shall vote on the amendment proposed by the Senator from Michigan (Mr. HART) and myself to S. 2546.

We ask unanimous consent that on Tuesday next, after the morning hour, there be 4 hours of debate on the amendment, equally divided between the proponents and opponents; that on Wednesday the Senate will convene at 11 a.m.; that there will be no morning hour; that there will be 4 hours of debate on the Cooper-Hart amendment, equally divided between the opponents and proponents; that if there be further amendments to the Cooper-Hart amendment, the time will be limited to 1 hour on such amendments, to be equally divided between the proponents and the sponsors of the Cooper-Hart amendment.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request? The Chair hears no objection, and the agreement is entered into.

Do Senators yield back their time?

Mr. DIRKSEN. I yield back my time.

Mr. MANSFIELD. I yield back my time.

The PRESIDING OFFICER. All time has been yielded back. The question is, Shall the bill pass? On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

The result was announced—yeas 70, nays 30, as follows:

[No. 63 Leg.]

#### YEAS—70

Aiken	Gravel	Mundt
Allott	Griffin	Murphy
Anderson	Gurney	Muskie
Bellmon	Hansen	Packwood
Bennett	Harris	Pastore
Boggs	Hartke	Pearson
Brooke	Holland	Pell
Byrd, Va.	Hruska	Percy
Case	Hughes	Randolph
Cooper	Inouye	Ribicoff
Cranston	Jackson	Russell
Curtis	Javits	Schweiker
Dirksen	Jordan, N.C.	Scott
Dodd	Kennedy	Smith
Dole	Long	Sparkman
Eagleton	Magnuson	Spong
Eastland	Mansfield	Stennis
Ellender	Mathias	Stevens
Ervin	McCarthy	Thurmond
Fannin	McClellan	Tower
Fong	McGee	Williams, Del.
Goldwater	McIntyre	Young, N. Dak.
Goodell	Miller	
Gore	Mondale	

#### NAYS—30

Allen	Dominick	Nelson
Baker	Fulbright	Prouty
Bayh	Hart	Proxmire
Bible	Hatfield	Saxbe
Burdick	Hollings	Symington
Byrd, W. Va.	Jordan, Idaho	Talmadge
Cannon	McGovern	Tydings
Church	Metcalfe	Williams, N.J.
Cook	Montoya	Yarborough
Cotton	Moss	Young, Ohio

So the bill (H.R. 9951) was passed.

Mr. LONG. Mr. President, I move that the vote by which the bill was passed be reconsidered.

Mr. JAVITS. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

Mr. LONG. Mr. President, I am not going to make a request for the conferees at this point, because we only had one amendment, which is the same language as that in the House, and so would hope that the House would take it as an amendment. If they want conferees, we will be glad to accommodate them, but it is important that we act on the interest equalization tax, which expires tonight, which bill is now at the desk.

Mr. MANSFIELD. Mr. President, as the votes on this measure today indicate, no particular point of view can claim victory or, for that matter, defeat. If there was a victory attached to it, it was a victory for the Senate as a whole, the administration, and, hopefully, the American people.

I am happy that we were able to reach, on a bipartisan basis, a reasonable accommodation after a very lengthy exchange of views and collection of conferences, and I want it clearly understood that any credit which inures for the measure which has just passed the Senate belongs to all of us and not to the leadership on either side, or to any individual Senator. In that action, the administration has also played a very worthwhile and responsible part.

No particular interest can claim credit or rejection. Rather what these proceedings have indicated above all is that the Senate as a whole can be proud of an accomplishment attained in the spirit of accommodation and responsibility. The only winners are the people.

The able chairman of the Finance Committee, the distinguished Senator from Louisiana (Mr. LONG) once again displayed his remarkable ability in his expert handling of this very important measure. And the minority leader offered his characteristic cooperation and full support. Their participation was indispensable in effecting a meeting of the minds on all sides of the issue, thus making possible the responsible action taken by the Senate today.

Working also so indispensably to accomplish the responsible end obtained were the capable senior Senator from Delaware (Mr. WILLIAMS) and the able Senator from South Dakota (Mr. MUNDT). Their views were expressed with the deep understanding and wisdom that have characterized all of their efforts in the past. I might say that it is most difficult to express in words my esteem and gratitude for their splendid contribution.

To say it simply: Senator DIRKSEN, Senator WILLIAMS, and Senator MUNDT all deserve our deepest appreciation for their tireless efforts to resolve this matter reasonably. They happen to serve on the other side of the aisle, but I might say that in the interest of accommodation and unity in the Senate, their service rises above partisanship.

May I say, also, that I think the entire Senate is to be commended on that score. The close attention and support during the discussions today and the splendid cooperation displayed by all certainly credits this body immeasurably. It was imperative that all views be heard and considered. I am proud to say they were. I thank each and every Senator. We may all be proud.

#### CONTINUATION FOR A TEMPORARY PERIOD OF THE INTEREST EQUALIZATION TAX

Mr. LONG. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on H.R. 13079.

The PRESIDING OFFICER laid before the Senate H.R. 13079, an act to continue for a temporary period the existing interest equalization tax, which was read twice by its title.

Mr. LONG. Mr. President, I ask unanimous consent that the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. LONG. Mr. President, this is a mere 30-day extension of the existing equalization tax, so that we can get the bill considered.

Mr. JAVITS. Mr. President, will the Senator from Louisiana yield?

Mr. LONG. I yield.

Mr. JAVITS. Mr. President, this is an important bill, which has a widespread interest, especially today. I understand that it is only a 30-day extension but I should like to ask the Senator from Louisiana whether there are any facts or figures available as to how it is operating today, both in terms of our balance of payments problems, for which it was originally devised, and in terms of the high interest rate we have not only in this country but also the very high interest rates now being paid by our banks with regard to Eurodollar borrowings abroad. I should like to ask the Senator whether the Finance Committee is going to look into the general network of questions which are involved so that when we do come to act in a definitive way, we will have that body of information.

Mr. LONG. Mr. President, I shall seek to obtain that, and any other information the Senator wants, if he will just let us know. Unfortunately, I cannot provide all of that for the Senator today, as he is well aware of, I am sure. I am merely told by the Treasury Department that if we do not do this, a large amount of money might flow out of the country which would create some problems for us in this country.



Mr. JAVITS. Of course, I would not dream of being so irresponsible as that to seek to block this legislation but I do want to get abreast of how it will work. That is why I asked for the information I did. I have no objection, of course.

Mr. LONG. I will cooperate with the Senator to that end.

The bill was ordered to a third reading, was read the third time, and passed.

Mr. LONG. Mr. President, I move that the vote by which the bill was passed be reconsidered.

Mr. MANSFIELD. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

#### LEGISLATIVE PROGRAM

Mr. SCOTT. Mr. President, I rise to inquire of the distinguished majority leader whether he expects any votes tomorrow.

Mr. MANSFIELD. Mr. President, responding to the question raised by the distinguished acting minority leader, I cannot give an unequivocal answer but to the best of my knowledge, it does not appear that there will be any votes tomorrow.

Mr. SCOTT. I do thank the Senator from Montana.

#### AUTHORIZATION OF APPROPRIATIONS FOR FISCAL YEAR 1970 FOR MILITARY PROCUREMENT, RESEARCH AND DEVELOPMENT, AND FOR THE CONSTRUCTION OF MISSILE TEST FACILITIES AT KWAJALEIN MISSILE RANGE, AND RESERVE COMPONENT STRENGTH

The PRESIDING OFFICER (Mr. SAXBE in the chair). The Chair lays before the Senate the unfinished business which the clerk will state.

The LEGISLATIVE CLERK. S. 2546, to authorize appropriations during the fiscal year 1970 for procurement of aircraft, missiles, naval vessels, and tracked combat vehicles, and research, development, test, and evaluation for the Armed Forces, and to authorize the construction of test facilities at Kwajalein Missile Range, and to prescribe the authorized personnel strength of the Selected Reserve of each reserve component of the Armed Forces, and for other purposes.

The Senate resumed consideration of the bill.

#### AMENDMENT NO. 111

Mr. FULBRIGHT. Mr. President, I submit an amendment to the pending bill. It is a simple amendment which I would like to explain briefly.

The amendment would require the Secretary of Defense to make available to a congressional committee, upon request, any study or report prepared outside the Department of Defense which was financed in whole or in part by the Department. The purpose is to insure that the Congress is given access to research studies performed by the so-called "think tanks," the universities, or individuals whose work is paid for by the taxpayers. The amendment recognizes the issue of executive privilege and carefully specifies that the mandate applies

only to work performed outside the Department of Defense.

This amendment is the outgrowth of an effort by the Committee on Foreign Relations to obtain a study prepared by the Institute for Defense Analysis relating to the Gulf of Tonkin incident. It is my understanding that the study contains a review of what happened in the Gulf of Tonkin, how communications were handled, and in general how decisions were made. The purpose of the study, I was informed, was to determine what lessons could be learned for future crisis situations. I think that my colleagues will agree that there is much that all of us can learn from that incident and its aftermath. The committee has attempted several times to obtain this study from the Department of Defense, but has been refused each time.

The Institute for Defense Analysis receives virtually all its funds from the Department of Defense. In fiscal year 1969 this organization received \$10,898,000 from the Department of Defense, and the Department proposes to give it \$11,150,000 in 1970.

I believe that the Congress, which imposes the taxes on the public to finance this organization, and which authorizes and appropriates the money for it, should have the right to see how that money is being spent. The issue here is far more important than this one study—it is a question of whether the Congress has the power to obtain information, prepared outside the Government with tax money, for which no claim of executive privilege has been made.

The Senate is beginning, at long last, to reassert its constitutional prerogatives and to restore the proper balance to our system. Passage of this amendment will be one small, but positive step in that direction.

In that connection, I wish to simply observe that today I believe is the first—perhaps the second—time in my 25 years in the Senate in which all 100 Senators were present and voting on pending measures—which again I think is also a demonstration of the Senate's taking its responsibilities more seriously.

Mr. CASE. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. CASE. Are there any cosponsors of the Senator's amendment?

Mr. FULBRIGHT. There are none, but I am always glad to have cosponsors.

Mr. CASE. Will the Senator request that I be made a cosponsor?

Mr. FULBRIGHT. Mr. President, I ask unanimous consent that the name of the Senator from New Jersey (Mr. CASE) be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, will the Senator do the same for me?

Mr. FULBRIGHT. Mr. President, I ask unanimous consent that the name of the Senator from New York (Mr. JAVITS) be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment will be received and printed, and will lie on the table.

#### COLLECTION OF FEDERAL UNEMPLOYMENT TAX—AMENDMENT (NO. 110)

Mr. FULBRIGHT. Mr. President, I also submit another amendment to the pending bill, and I should like to discuss it briefly.

The amendment and the purpose are simple. It would reduce the authorization for research, development, test, and evaluation by a total of \$45,614,000. This represents a 7-percent reduction in funds for the "military sciences" research category for each of the three services and the Department of Defense, plus a 20-percent reduction in the authorization for the Defense Department's overseas research program, Project Agile, which is funded under a category labeled "Other equipment." The proposed reductions, by service, are: Army \$11,893,000; Navy \$10,157,000; Air Force \$9,989,000; and the Department of Defense \$13,575,000. The purpose is to make a modest cutback in the Department's funding of Federal contract research centers—the so-called "think tanks"—other social and behavioral science research, foreign research, the Department's aid-to-education program, Project Themis, and research on counterinsurgency matters. The intent is to have the \$45 million reduction applied roughly as follows:

First, reduce the funding of the Federal contract research centers by 10 percent, or \$27 million;

Second, reduce research in foreign institutions—colleges and universities, primarily—by \$2 million, or approximately one-third the program proposed;

Third, reduce counterinsurgency research, Project Agile, by 20 percent, or \$5 million;

Fourth, cut other social science research, performed by organizations such as the Hudson Institute, by the remaining \$3 million; and

Fifth, hold the line on new starts under Project Themis by reducing the request by \$8 million—a 25 percent reduction.

The committee has recommended an 8 percent cut in the military sciences item, the funding source for most of the programs I listed. This is but a slap on the wrist, and I think that the circumstances call for a more meaningful reduction in non-essential research activities. I propose that the Senate cut this category by an additional 7 percent, to, in effect, impose a 15 percent surtax on the research programs I have listed. My amendment would also reduce by \$5 million the funds for Project Agile, the overseas research which is funded under the "Other equipment" category.

It cannot be said that the amendment ties the hands of the Defense Department since each service will be left with considerable flexibility to distribute the cutback within these general areas. I might add that, under provisions of this bill, the Department of Defense will still have a \$100 million emergency fund to play with, double last year's contingency fund.

It is time that the Senate took a hard look at what the taxpayers' money is being spent for in the Defense research program. This amendment is but a small









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SENATE

**PERSONNEL; RETIREMENT.** The Post Office and Civil Service Committee reported without amendment S. 2754, the civil service retirement financing and benefits bill (S. Rept. 91-139). The Committee also reported without amendment H. R. 9825, a similar bill (no written report). p. S8952

**POLLUTION; ELECTRIFICATION.** Sen. Miskie spoke in support of his bill, S. 2752, the proposed Intergovernmental Power Coordination and Environmental Protection Act, to reconcile the needs of environmental protection and the generation of adequate supplies of electricity. pp. S8956-57

**TIMBER SUPPLY.** Sen. Mansfield stated the aim of the proposed National Timber Supply Act is "to enhance the productivity of our national timberlands through the application of modern management techniques and thus guarantee the supplies of soft-wood lumber and plywood urgently required to meet the national housing goals," and inserted a supporting resolution adopted by the Western Governors' Conference. p. S8958

**TAXATION.** Sen. Kennedy spoke in support of the "compromise bill passed...by the Senate for extension of the income tax surcharge through the end of the present calendar year" (p. S8960), and Sen. Byrd explained why he voted against it (p. S8966).

**OCEANOGRAPHY.** Sen. Hatfield stated the Interior Dept. "conservatively estimates that the food potential of the sea can supply minimal animal protein needs for twice the present world population." He expressed the conviction that the United States needs to re-examine its posture on the use of ocean resources. pp. S8962-63

**PESTICIDES.** Sen. Nelson inserted several articles on the use on American farms of "a pesticide originally developed in World War II as a German nerve gas." pp. S8963-66

**ADJOURNED** until Mon., Aug. 4. p. S9008

HOUSE

**TAXATION.** The Rules Committee reported a resolution to concur with the Senate amendment to H. R. 9951 which would extend the surtax charge through Dec. 31, 1969. p. H6695

The Ways and Means Committee voted to report (but did not actually report) H. R. 13270, the proposed Tax Reform Act of 1969 (p. D710) and at the request of Rep. Mills the entire text of the bill was inserted in the Record (pp. H6695-734). Rep. Mills stated this bill contains "the 5-percent surtax for the last 6 months, the repeal of the 7-percent investment tax credit, the extension of the excise taxes."

# **DIGEST** of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20250  
OFFICIAL BUSINESS

POSTAGE AND FEES PAID  
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
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HIGHLIGHTS: House Rules Committee cleared Senate amendment to extend surcharge tax through Dec. 31. Senate committee reported civil service retirement financing and benefits bill. House committee voted to report tax reform bill.





United States  
of America

# Congressional Record

PROCEEDINGS AND DEBATES OF THE 91<sup>st</sup> CONGRESS, FIRST SESSION

Vol. 115

WASHINGTON, FRIDAY, AUGUST 1, 1969

No. 130

## House of Representatives

The House met at 12 o'clock noon.  
The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

*Where two or three are gathered together in My name, there am I in the midst of them.—Matthew 18: 20.*

O God and Father of us all, at this noontide hour we pray that Thou wilt touch our spirits and transform our souls by Thy grace that we may have strength for the day, courage with each hour, and peace in every moment.

Kindle within us the fire of Thy spirit and warm our hearts with the power of Thy presence that in the time of trouble we may be equal to every experience, ready for every responsibility, and adequate for every task.

Grant that we may see Thy way more clearly and be given wisdom to work with Thee in making the world a better place in which Thy children can live together in abundant happiness, in abounding harmony, and in abiding hope.

In the Master's name, we pray. Amen.

### THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

### MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate agrees to the amendment of the House to a joint resolution of the Senate of the following title:

S.J. Res. 85. Joint resolution to provide for the designation of the period from August 26, 1969, through September 1, 1969, as "National Archery Week."

### PROVIDING FOR AGREEING TO THE SENATE AMENDMENTS TO H.R. 9951

Mr. COLMER, from the Committee on Rules, reported the following privileged resolution (H. Res. 509) (Rept. No. 91-412), which was referred to the House Calendar and ordered to be printed:

H. RES. 509

Resolved, That immediately upon the adoption of this resolution the bill (H.R. 9951) to provide for the collection of the Federal unemployment tax in quarterly in-

stallments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes, with the Senate amendment thereto, be, and the same hereby is, taken from the Speaker's table, to the end that the Senate amendment be, and the same is hereby agreed to.

### THE TAX REFORM ACT OF 1969

Mr. MILLS. Mr. Speaker, I ask unanimous consent that the text of H.R. 12370, the Tax Reform Act of 1969, be printed in the body of the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. GROSS. Mr. Speaker, reserving the right to object, I wish the gentleman would state for my benefit, as well as the benefit of other Members of the House, the procedure that is to be followed in the consideration of the tax matter; whether continuance of the surtax is to be treated as a separate matter, with a separate vote on the tax reform bill. I am at some loss to understand clearly the procedure.

Mr. MILLS. If the majority leader will bear with me, it is my understanding that this resolution from the Rules Committee just filed by the chairman will be considered by the House on Monday next—August 4.

That is, the Senate amendment involving the 10-percent surcharge which will be considered on Monday, August 4.

Then I have asked permission of the chairman of the Rules Committee to appear before the Rules Committee along with the gentleman from Wisconsin (Mr. BYRNES) in behalf of the rule on the tax reform bill on Tuesday of next week—August 5. And if that is done, and if our request for a rule is granted, it is my understanding also from the majority leader that the bill will be scheduled for consideration on Wednesday and Thursday—August 6 and 7. It will take 2 days, I am sure, of debate, but it will be my expectation and intention that we would

vote on the bill before adjournment on Thursday, August 7.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I am glad to yield to the majority leader.

Mr. ALBERT. Mr. Speaker, I know the gentleman will agree with me that the distinguished chairman of the Ways and Means Committee is performing a service for the House in getting this matter ready for Members at an early stage, and I am sure the gentleman deserves commendation.

Mr. GROSS. Although I do not support the surtax, it is also a service to the Nation as well as Members of the House, I am sure the gentleman would agree, to reach a decision in this matter.

That does mean that we will have a separate vote on continuation of the surtax?

Mr. MILLS. Mr. Speaker, if the gentleman will yield further, I want to make it eminently clear to my friend, the gentleman from Iowa, that the 10-percent surtax that the Senate voted for 6 months is to be considered on Monday. That is for 6 months.

There is contained in the reform bill everything else that was in the bill that passed the House on June 30—the 5-percent surtax for the last 6 months, the repeal of the 7-percent investment tax credit, the extension of the excise taxes, and all the other matters that were in that bill. We want them in this bill in order that the Senate cannot prevent us from having a conference on those matters by not taking action on the remainder of the bill that we passed on June 30.

Mr. GROSS. Mr. Speaker, I thank the gentleman for his explanation.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. COLMER. Mr. Speaker, further reserving the right to object, if I may, I would like to commend the able and distinguished gentleman from Arkansas, the chairman of the Ways and Means Committee, for the objective sought here, and the parliamentary situation which he proposes to follow, so that we do not permit the other body to further erode the powers of this body by writing legis-



lation on revenue matters, which is specifically reserved to this, the populous representative body of the Congress, as elected by the people.

At the same time, Mr. Speaker, I am going to want to talk with my friend, the gentleman from Arkansas, a little later on, privately about the procedure on this rule that involves so many things under this so-called reform bill. It is a very far-reaching matter, and it is something that the Members should have knowledge of before they are called upon to vote. I want to follow that up with my friend later.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

H.R. 13270

A bill to reform the income tax laws

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "Tax Reform Act of 1969".

(b) TABLE OF CONTENTS.—

TITLE I—TAX EXEMPT ORGANIZATIONS

SUBTITLE A—PRIVATE FOUNDATIONS

Sec. 101. Private foundations.

SUBTITLE B—OTHER TAX EXEMPT ORGANIZATIONS

Sec. 121. Tax on unrelated business income.

TITLE II—INDIVIDUAL DEDUCTIONS

SUBTITLE A—CHARITABLE CONTRIBUTIONS

Sec. 201. Charitable contributions.

SUBTITLE B—FARM LOSSES, ETC.

Sec. 211. Gain from disposition of property used in farming where farm losses offset nonfarm income.

Sec. 212. Livestock.

Sec. 213. Hobby losses.

SUBTITLE C—INTEREST

Sec. 221. Interest.

SUBTITLE D—MOVING EXPENSES

Sec. 231. Moving expenses.

TITLE III—OTHER ADJUSTMENTS PRIMARILY AFFECTING INDIVIDUALS

SUBTITLE A—LIMIT ON TAX PREFERENCES AND ALLOCATION OF DEDUCTIONS

Sec. 301. Limit on tax preferences for individuals, estates, and trusts.

Sec. 302. Allocation of deductions.

SUBTITLE B—INCOME AVERAGING

Sec. 311. Income averaging.

SUBTITLE C—RESTRICTED PROPERTY

Sec. 321. Restricted property.

SUBTITLE D—OTHER DEFERRED COMPENSATION

Sec. 331. Deferred compensation.

SUBTITLE E—ACCUMULATION TRUSTS, MULTIPLE TRUSTS, ETC.

Sec. 341. Treatment of excess distributions by trusts.

Sec. 342. Trust income for benefit of a spouse.

TITLE IV—ADJUSTMENTS PRIMARILY AFFECTING CORPORATIONS

SUBTITLE A—MULTIPLE CORPORATIONS

Sec. 401. Multiple corporations.

SUBTITLE B—DEBT-FINANCED CORPORATE ACQUISITIONS AND RELATED PROBLEMS

Sec. 411. Interest on indebtedness incurred by corporations to acquire stock or assets of another corporation.

Sec. 412. Installment method.

Sec. 413. Bonds and other evidences of indebtedness.

Sec. 414. Limitation on deduction of bond premium upon repurchase.

SUBTITLE C—STOCK DIVIDENDS

Sec. 421. Stock dividends.

SUBTITLE D—FOREIGN TAX CREDIT

Sec. 431. Foreign tax credit reduction in case of foreign losses.

Sec. 432. Separate limitation on foreign tax credit with respect to foreign mineral income.

SUBTITLE E—FINANCIAL INSTITUTIONS

Sec. 441. Reserve for losses on loans; net operating loss carrybacks.

Sec. 442. Mutual savings banks, etc.

Sec. 443. Treatment of bonds, etc., held by financial institutions.

Sec. 444. Foreign deposits in United States banks.

SUBTITLE F—DEPRECIATION ALLOWED REGULATED INDUSTRIES; EARNINGS AND PROFITS ADJUSTMENT FOR DEPRECIATION

Sec. 451. Public utility property.

Sec. 452. Effect on earnings and profits.

SUBTITLE G—ALTERNATIVE CAPITAL GAIN RATE FOR CORPORATIONS

Sec. 461. Increase in rate.

TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

SUBTITLE A—NATURAL RESOURCES

Sec. 501. Natural resources.

SUBTITLE B—CAPITAL GAINS AND LOSSES

Sec. 511. Repeal of alternative capital gains tax for individuals.

Sec. 512. Capital losses of individuals.

Sec. 513. Letters, memorandums, etc.

Sec. 514. Holding period of capital assets.

Sec. 515. Total distributions from qualified pension, etc., plans.

Sec. 516. Other changes in capital gains treatment.

SUBTITLE C—REAL ESTATE DEPRECIATION

Sec. 521. Depreciation of real estate.

SUBTITLE D—COOPERATIVES

Sec. 531. Cooperatives.

SUBTITLE E—SUBCHAPTER S CORPORATIONS

Sec. 541. Qualified pension, etc., plans of small business corporations.

TITLE VI—STATE AND LOCAL OBLIGATIONS

Sec. 601. Interest on certain governmental obligations.

Sec. 602. United States to pay fixed percentage of interest yield on taxable issues.

TITLE VII—EXTENSION OF TAX SURCHARGE AND EXCISE TAXES; TERMINATION OF INVESTMENT CREDIT

Sec. 701. Extension of tax surcharge at 5 percent rate for first half of 1970.

Sec. 702. Continuation of excise taxes on communications services and on automobiles.

Sec. 703. Termination of investment credit.

Sec. 704. Amortization of pollution control facilities.

Sec. 705. Depreciation of certain railroad rolling stock.

TITLE VIII—ADJUSTMENT OF TAX BURDEN FOR INDIVIDUALS

Sec. 801. Low income allowance; increase in standard deduction.

Sec. 802. Fifty-percent maximum rate on earned income.

Sec. 803. Intermediate tax rates; and surviving spouse treatment.

Sec. 804. Tax rates.

Sec. 805. Collection of income tax at source on wages.

(c) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

TITLE I—TAX EXEMPT ORGANIZATIONS

SUBTITLE A—PRIVATE FOUNDATIONS

SEC. 101. PRIVATE FOUNDATIONS

(a) IN GENERAL.—Subchapter F of chapter 1 (relating to exempt organizations) is amended by redesignating parts II, III, and IV as parts II, IV, and V, respectively, and by inserting after part I the following new part:

"PART II—PRIVATE FOUNDATIONS

"Sec. 506. Tax on private foundation investment income.

"Sec. 507. Tax on termination of private foundation status.

"Sec. 508. Special rules with respect to section 501(c)(3) organizations.

"Sec. 509. Private foundation defined.

"SEC. 506. TAX ON PRIVATE FOUNDATION INVESTMENT INCOME.

"(a) IMPOSITION OF TAX.—There is hereby imposed for each taxable year on the net investment income of every private foundation (as defined in section 509) a tax equal to 7½ percent of such income.

"(b) NET INVESTMENT INCOME DEFINED.—

"(1) IN GENERAL.—For purposes of subsection (a), the net investment income is the amount by which (A) the gross investment income and the net capital gain, exceed (B) the deductions allowed by paragraph (3) and the net capital loss.

"(2) GROSS INVESTMENT INCOME.—For purposes of paragraph (1), the term 'gross investment income' means the gross amount of income from interest, dividends, rents, and royalties, but not including any such income to the extent included in computing the tax imposed by section 511.

"(3) DEDUCTIONS.—For purposes of paragraph (1), there shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred for the production or collection of gross investment income or for the management, conservation, or maintenance of property held for the production of such income.

"(4) CAPITAL GAINS AND LOSSES.—For purposes of paragraph (1), in determining net capital gain or loss—

"(A) The basis of property held by the private foundation on December 31, 1969, and continuously thereafter to the date of its disposition shall be deemed to be not less than the fair market value of such property on December 31, 1969.

"(B) There shall be taken into account only the sale or other disposition of property used for the production of interest, dividends, rents, and royalties, and property used for the production of income included in computing the tax imposed by section 511 (except to the extent gain or loss from the sale or other disposition of such property is taken into account for purposes of such tax).

"SEC. 507. TAX ON TERMINATION OF PRIVATE FOUNDATION STATUS.

"(a) GENERAL RULE.—There is hereby imposed on each organization which is referred to in subsection (d) or (e) of section 508 a tax equal to the lower of—

"(1) the amount which the private foundation substantiates by adequate records or other corroborating evidence as the aggregate tax benefit resulting from the section 501(c)(3) status of such foundation, or

"(2) the value of the net assets of such foundation.









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HIGHLIGHTS: House committee reported tax reform bill. House passed Ventana, Calif. wilderness bill. House agreed to Senate amendment to extend surcharge tax through Dec. 31.

HOUSE

1. TAXATION. The Ways and Means Committee reported without amendment, on Aug. 2 during adjournment, H. R. 13270, to reform the income tax laws (H. Rept. 91-413). p. H6880, H6831-32, H6878

Concurred in Senate amendment to H. R. 9951, to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year (the Senate amendment being a provision for the continuation of the surtax for 6 months on a 10-percent basis). This bill will now be sent to the President. pp. H6791-802

2. WILDERNESS. Passed S. 714, to designate the Ventana Wilderness, Los Padres National Forest, Calif., with an amendment to substitute the language of H.R. 3687, a similar bill which was passed earlier as reported. H. R. 3687 was tabled. pp. H6788-90
3. RECREATION. Passed under suspension of the rules S. 912, to provide for the establishment of the Florissant Fossil Beds National Monument, Colo. pp. H6803-8
4. APPROPRIATIONS. Rep. Flood inserted tables showing summary of Labor-HEW Appropriations for 1969 and 1970. pp. H6832-38
5. LIBRARIES. Rep. Schwengel spoke in support of an increase in funds for the centralized cataloging program administered by the Library of Congress. p. H6871
6. NATIONAL PARKS. Rep. Don H. Clausen commended the donation by the Georgia-Pacific Corp. of a \$6 million prime stand of redwood timber in Calif. to the Nature Conservancy. pp. H6839-40
7. WATER POLLUTION. Rep. Cramer spoke in support of the bill to provide adequate financial assistance and to increase the allotment to certain States of construction grant funds for water pollution control. pp. H6841-42  
Rep. Podell stated if the oil industry's opposition to the Government's plan to hold public hearings before offering more offshore oil drilling leases triumphs "our entire environment will remain open to further catastrophies." p. H6873
8. PESTICIDES. Rep. Podell urged the extension indefinitely of the USDA 30-day ban on DDT which will expire on Aug. 8. p. H6873
9. LEGISLATIVE PROGRAM. The "Daily Digest" states that on Tues. the House will consider the military construction authorization bill. pp. D717-18



minute and to revise and extend his remarks.)

Mr. McCURE. Mr. Speaker, I wish to join with those who have taken the occasion of the President's return home to praise the results of his trip abroad.

Without question the world is closer to peace today because of that trip.

Without question our chances to build a stable and peaceful Southeast Asia are better because of that trip.

We have been assured that no longer will the United States involve itself in the land wars of that subcontinent.

But at the same time our allies in that region have been assured of an American umbrella of protection against outside aggression, they have been assured that the United States surely will not abandon its allies, and they have been assured that the United States intends to continue to play a major role in the development of that region.

Mr. Speaker, the President has outlined a realistic policy for the United States to follow in Southeast Asia, and he has won agreement with that policy from our allies in that part of the world. The Nation can be proud of what he has accomplished.

#### A SUCCESSFUL TRIP BY AN AMERICAN PRESIDENT

(Mr. THOMSON of Wisconsin asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. THOMSON of Wisconsin. Mr. Speaker, last night the Nation welcomed home President Nixon after one of the most successful trips an American President has made abroad in recent years.

The trip began most auspiciously with the successful completion of the Apollo moon mission and with this impetus carried on to an equally auspicious close in Rumania.

During the President's trip he charted new and practical directions for us to follow in Asia, directions that give hope for an end to American involvement in land wars in that part of the world. And he brought renewed hope for better understandings between our Nation and nations of Eastern Europe.

Mr. Speaker, all Americans can be thankful at the results of President Nixon's trip. We hope and pray that his experience, his ability, and his efforts in dealing with the leaders of other nations will bring a lasting peace in our time.

#### THE PRIDE OF APOLLO 11

(Mr. FREY asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. FREY. Mr. Speaker, the Apollo 11 moon landing united this country in pride and purpose. It is true there were a few who attempted to interject politics into this great moment, questioning the President's communication with the astronauts on the moon. But even this soon died out when we learned that it had been done at NASA's request.

All Americans in one way or another participated in the moon landing. It was

particularly fitting that the President, as a representative of all the people, was present at the recovery of the astronauts. The end of their journey marked the beginning of the President's journey, and the spirit of Apollo 11 accompanied him on the trip.

It was with special pride that the people of my district who helped launch Apollo 11 learned of the many people in Communist Rumania who lined the streets holding up newspaper accounts of the moon landing.

Apollo 11 showed the world that there is nothing this country cannot do if unified in purpose. Apollo 11 showed the world that the greatness of America is not just in material goods or technology, but in its spirit.

I congratulate the President for his continuing interest in our space program which began with his service as Vice President in the fifties. I salute the President for bringing the spirit of Apollo 11 to the rest of the world and showing the world what a free Nation under God can accomplish.

#### PRESIDENT NIXON RENDERS SIGNIFICANT SERVICE

(Mr. BUCHANAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BUCHANAN. Mr. Speaker, our President has rendered a significant service to our country and to the entire free world in his recent round-the-world diplomatic mission in which I believe he has taken the great achievement of our astronauts and in a timely fashion, helped to make it work toward better relations with other nations and toward peace with justice in our time.

The President's great expertise in foreign affairs and personal knowledge of many of the world leaders helped him in his quest. He is uniquely well-qualified for this kind of personal diplomacy, and will, in my judgment, prove himself increasingly to be as our President a significant force for good among nations. Every American has reason to commend what he has done for our country in this mission.

#### SOME COMMENTS ON PRESIDENTIAL TRIPS

(Mr. DERWINSKI asked and was given permission to address the House for 1 minute.)

Mr. DERWINSKI. Mr. Speaker, like so many other Members. I welcome the President home and trust that the results of his trip will be positive in the search for peace.

I should like to point out to the Members, especially those on the Republican side of the aisle, that we used to snicker a bit at the way in which our Democrat friends would rush to the well and eulogize Presidents Kennedy and Johnson after their worldwide trips.

I wish we would not fall into the same pattern. Let us treat the President's trips objectively. Let us not succumb to political idolatry.

While I believe the President con-

ducted himself in an effective fashion and while I believe he has seized the initiative in foreign affairs, let us wait 3 or 4 months before we label this one of the great diplomatic trips of history. The results are not in yet, especially the results from some of the private conferences on the trip.

While we wish the President well and believe his trip has been successful, let us not blindly fall into the pattern of patting the Chief Executive on the back as if he possesses papal infallibility.

#### PROVIDING FOR AGREEING TO THE SENATE AMENDMENTS TO H.R. 9951

Mr. COLMER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 509 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 509

*Resolved*, That immediately upon the adoption of this resolution the bill (H.R. 9951) to provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes, with the Senate amendment thereto, be, and the same hereby is, taken from the Speaker's table, to the end that the Senate amendment be, and the same is hereby, agreed to.

The SPEAKER. The gentleman from Mississippi is recognized for 1 hour.

Mr. COLMER. Mr. Speaker, I yield the customary 30 minutes to the minority, to the very able gentleman from California (Mr. SMITH). Pending that, Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this is a very simple resolution—a short horse that might be shortly curbed. This is another instance of where the so-called "other body" has taken a House-passed bill and placed upon it an irrelevant and nongermane matters. In other words, the House a social security bill dealing with withholding of taxes for unemployment. This bill went over to the other body, and the other body, after deliberating, wrangling, and maneuvering, added to it a simple provision or amendment providing for the continuation of the surtax for 6 months on a 10-percent basis.

Now, Mr. Speaker, this resolution would simply take that Senate-passed bill with this nongermane amendment from the Speaker's table and pass it. When that is done that part of the surtax and of the social security tax will become law.

Now, again, I want to point out that this is a nongermane amendment, it is another effort on the part of the other body, whether intentional or otherwise, to usurp the powers, the constitutional powers, of this body, the elected Representatives of the people in the matter of revenue.



Now, as one who has supported the surtax extension, reluctantly, as many others did, I am going along with this, although I object to the procedure.

Now, I do not know that it is incumbent upon me to go into this, but actually, the question arises as to what happens to the balance of the House-passed surtax bill. Well, for the RECORD's sake let it be noted that the Ways and Means Committee under the leadership of the outstanding gentleman from Arkansas has taken the rest of that bill that the House passed, including the repeal of the investment tax incentive, including the continuation of the surtax of 5 percent for the next 6 months after this 10 percent expires and put it into a package with the so-called tax reform bill.

In other words, the Committee on Ways and Means has taken everything that the Senate left out of the House-passed surtax bill and placed it into the reform package.

My understanding is that a rule will be requested on this combined bill tomorrow before the Rules Committee. And, then if that rule is granted and if the House passes that bill it will then go back to the other body and they can do such maneuvering as they see fit and make such disposal of the bill as they see fit.

Mr. Speaker, again, I want to register my protest against this procedure of the House of Lords—I do not mean it in that sense; excuse me; I want to retract that—but when the Founding Fathers set up this Government they provided that the purse strings—the raising of revenue and the making of appropriations must originate in this, the more populous body, the body that is elected by the people every 2 years. Of course, it is not necessary to remind you that our form of Government is pretty much based upon the English system with the House of Commons having the power and the House of Lords being a kind of cooling-off body. For years I have advocated, as a member of the Rules Committee, a rule of the House which would prevent the tacking of nongermane amendments in the other body upon House-passed bills.

In other words, if an amendment is put upon a House-passed bill that was not germane when that bill was considered in the House, it would be subject to a point of order when it came back to this body after a conference.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I am always happy to yield to my friend from Iowa.

Mr. GROSS. Mr. Speaker, I thank my good friend from Mississippi for yielding.

Does the gentleman recall about a year ago, when the surtax was added by the Senate to a bill on the continuation of certain excise taxes when it came back to the House, then at that time the gentleman from Iowa arose to a question of privilege of the House, and challenged the Senate action? For my pains, my resolution challenging the constitutionality of the Senate action, was defeated on a motion to lay on the table.

Mr. COLMER. I will say to the gentleman from Iowa that I do recall; and he was right.

Mr. GROSS. And the clear-cut test of

the Senate's usurpation of House authority was shelved.

Mr. COLMER. I do recall the action taken by the gentleman from Iowa, which was quite appropriate. I am always happy when I find myself in agreement with the able and distinguished gentleman from Iowa.

Mr. GROSS. Mr. Speaker, will the gentleman yield further?

Mr. COLMER. I am sorry that I cannot yield further to the gentleman from Iowa at this time because of the limitation on my time.

Mr. VANIK. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I will have to yield to my friend from Ohio, and then if my friend, the gentleman from Iowa wants me to yield further to him then I will yield further, regardless of the time limitation.

Mr. VANIK. Mr. Speaker, I thank the gentleman for yielding me this time.

I would like to say that I agree with the distinguished chairman of the Committee on Rules about the need for germaneness. I hope the same principle applies when I appear before the Committee on Rules tomorrow to ask the Committee on Rules to give the Members of the House an opportunity to vote on the extension of the surtax for the first 6 months of 1970. This is extraneous to reform and should not be attached to the reform bill. The Members of the House should have a chance to vote on a reform bill without the encumbrances of a surtax extension.

Mr. COLMER. If and when the gentlemen from Ohio comes before my committee and asks for an open rule to consider this legislation, the gentleman will find me in his corner. I am not sure that I would want to limit the amendments to one amendment.

Mr. VANIK. I thank the gentleman.

Mr. COLMER. Mr. Speaker, I reserve the balance of my time.

#### CALL OF THE HOUSE

Mr. DOWDY. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore (Mr. FLYNT). Evidently a quorum is not present.

Mr. SISK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 135]

Adams	Gettys	Matsunaga
Addabbo	Gialma	Mikva
Arends	Gilbert	Moorhead
Ashbrook	Grover	Morse
Baring	Gubser	Murphy, N.Y.
Berry	Halpern	Olsen
Blanton	Hanna	Powell
Brown, Calif.	Hastings	Rarick
Carey	Hébert	Rees
Celler	Hogan	Reid, N.Y.
Clark	Howard	Rooney, Pa.
Clay	Ichord	Ruppe
Cleveland	Kirwan	Saylor
Cohelan	Lennon	Scheuer
Conte	Lipscomb	Stuckey
Corman	McEwen	Taft
Diggs	McKneally	Thompson, N.J.
Edwards, Calif.	MacGregor	Tunney
Fasell	Mailliard	Whalley
Flowers	Mann	Wiggins

The SPEAKER pro tempore (Mr. FLYNT). On this rollcall 372 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

#### PROVIDING FOR AGREEING TO THE SENATE AMENDMENTS TO H.R. 9951

The SPEAKER pro tempore. The Chair recognizes the gentleman from California, Mr. SMITH.

Mr. SMITH of California. Mr. Speaker, I yield myself such time as I may consume.

(Mr. SMITH of California asked and was given permission to revise and extend his remarks.)

Mr. SMITH of California. Mr. Speaker, as usual, the distinguished chairman of the Committee on Rules, the gentleman from Mississippi (Mr. COLMER), has explained this resolution in extremely accurate detail.

May I simply review the parliamentary situation which we are faced with here today.

Prior hereto the House passed the surtax bill. That bill also included the repeal of the 7-percent investment tax credit and some other provisions. It has not been acted upon in the other body. Then, subsequent thereto, you will recall that that particular surtax bill extended the surtax rate of 10 percent for the balance of this year—6 months—July 1 to December 31—and then 5 percent from January 1 to the end of the fiscal year, through and including June 30 of next year.

As I said, that bill has not been acted upon in the other body. Then, subsequent to that time the House passed a resolution extending the withholding tax on wage earners through July 31, 1969. That was to have expired on June 30. That measure was passed by the other body and became law. Subsequent to July 31, the House passed a resolution which extended the withholding on wage earners to and including August 15, 1969, which measure is also in the other body.

The other body then took this bill, H.R. 9951, which is a bill relating to unemployment tax withholding by quarterly installments and added on to that the extension of the 10-percent surtax until December 31, 1969. Other provisions that were in the House-passed bill on the surtax are not included in that extension. But as I understand it, they have been included in the tax reform bill. My understanding further is that that bill will be heard in the Rules Committee tomorrow and if a rule is granted, it will be scheduled for floor action on Wednesday and Thursday of this week.

Then last week the other body placed this amendment in H.R. 9951. A request was made on the floor of the House to take that from the Speaker's table and to concur in the Senate amendments, which request was objected to.

The Rules Committee met that evening and reported out House Resolution 509.

Now, this particular resolution will—let me put it this way—the notice on the program may have been a little bit confusing inasmuch as underneath it we



have in parentheses "1 hour of debate," but that 1 hour of debate applies only to the consideration of House Resolution which is pending before us at the present time.

This measure, at the conclusion of the 1 hour of debate, will be voted either up or down. That is the 1 hour of discussion to which reference is made. In other words, there will not be an hour of debate on H.R. 9951 or the surtax extension amendment added to that bill. In other words, at the conclusion of the 30 minutes which are controlled by the gentleman from Mississippi and the 30 minutes which are controlled by myself, when that is over, the previous question will be moved. If it is adopted, then this particular bill is taken from the Speaker's table, to the end that the Senate amendment be and the same is hereby agreed to which will then insofar as both bodies are concerned continue the surtax to and including December 31, 1969, at a rate of 10 percent.

Mr. Speaker, I reserve the balance of my time.

Mr. COLMER. Mr. Speaker, I now yield 5 minutes to the gentleman from Louisiana (Mr. Boggs).

Mr. BOGGS. Mr. Speaker, will the gentleman from California (Mr. SMITH) yield me an additional 7 minutes?

Mr. SMITH of California. I will gladly yield the gentleman from Louisiana an additional 5 minutes, and then let us see how much time the gentleman may need in addition.

Mr. BOGGS. I thank the gentleman. Mr. Speaker, the House Committee on Ways and Means has produced the most comprehensive tax reform package in the history of this great Nation.

The effect of the package must be considered as complementary to the bill passed on June 30—extending the surcharge at 10 percent through January and at 5 percent through June of 1970—when the surcharge ends—repealing the investment tax credit; postponing the repeal of certain excises on communications and autos; and removing all below the poverty line from the Federal tax rolls.

This passed the House by five votes.

After a labor of 6 months in which we filled 15 volumes of testimony, we have written a bill that makes basic changes in almost every phase of Federal income taxation to insure that every individual and corporation pays his fair share of the tax burden.

Most important, we have achieved tax equity with fiscal responsibility. We have reached a fairer system and we have provided the funds for making the changes we have made without any deficit financing.

I say we have gone beyond what anyone had dreamed we would. We have gone further than the 1963 proposals of President Kennedy. We have gone further than the 1968 proposals of the Treasury Department under President Johnson, and we have gone further than the proposals of President Nixon early this year.

As a matter of fact, we have picked out the best of all these proposals, added

to that sum, and surprised many people.

These proposals by the Kennedy, Johnson, and Nixon administrations were more modest, because those administrations did not believe the House Ways and Means Committee would actually reform the tax structure because of the pressure from the many groups involved.

These three Presidents, two Democrats and one Republican, underestimated the depth of feeling of the American people for genuine tax reform.

The people have demanded that this business of some taxpayers with huge incomes enjoying all the privileges of American citizenship but managing to pay no tax at all, to support our Government. At the same time, they have seen the taxpayer making as little as \$23 a week paying \$42 a year in Federal income taxes, and they have seen the middle income persons who bear the heaviest burden of all get no relief.

This bill meets those demands.

It meets those needs in the tradition of the U.S. House of Representatives, which under the Constitution has the exclusive power to initiate taxes.

This House of Representatives—your House of Representatives—is where Hamilton remarked to a visitor: "Here, sir, the people govern."

This bill is written in that spirit. It is not a partisan bill. It constitutes two essentials:

First, to cool the galloping inflation which has driven interest rates to the highest point in modern history; which has brought near depression to the construction industry, home building industry, and near panic in the financial community both here and abroad.

Second, to bring tax justice to all taxpayers. To insure that no one avoids paying tax, the bill restricts particular tax advantages in virtually all areas, ranging from the oil depletion allowance to the unlimited charitable contribution, which permits an individual to avoid tax completely by giving away property to charities and contributing nothing to the support of the Government.

By modestly lowering the oil depletion allowance—and remember, there are 110 items all cut about 30 percent—I believe we have assigned this heated controversy to the history books, much as we did to the butter-oleomargarine fight of the 1940's.

You remember how a candidate from Wisconsin had to pledge to be willing to die for butter, and how a man from the Cotton Belt had to pledge to be for oleomargarine.

Well, by lowering depletion allowances across the board by about 30 percent, we have eliminated oil depletion as a national issue.

A minimum tax or limit on tax preferences is provided in this bill. This limit means that if a man has let us say \$10 million, half of that, or \$5 million, would still be tax exempt, but the other \$5 million would be taxed at regular rates.

Thus, thousands either paid no taxes, or greatly reduced taxes through these methods.

So the people have demanded tax relief for low- and middle-income taxpay-

ers—those raising families and seeing inflation cut into them, and the older citizens on fixed incomes. This bill provides it in the way of a low income allowance of \$1,100 to replace the present minimum standard deduction of \$300 for a single person and \$600 for a married couple with two children.

When this provision is fully effective in 1971, it will provide tax reduction of more than \$2.1 billion to the low-income persons.

Relief for middle-income taxpayers comes in the way of an increase in the standard deduction. This is of particular benefit to taxpayers with incomes of between \$7,000 and \$15,000. Because of the revenue cost involved, a balanced fiscal program requires that the increase in the standard deduction from the present 10 percent with a \$1,000 ceiling take place in three stages: To 13 percent with a \$1,400 ceiling in 1970, to 14 percent with a \$1,700 ceiling in 1971, and a final increase to 15 percent with a \$2,000 ceiling in 1972. For a taxpayer with \$10,000 of income who used the standard deduction, this means an increased deduction of \$300 in 1970, \$400 in 1971, and \$500 in 1972.

In addition, rate reduction, beginning at income levels above the income levels where the low-income allowance and the standard deduction provide the greatest tax relief, will provide tax reduction to the middle and upper income taxpayers. The rate reduction is generally 5 percent for this group. The rate reduction for the upper rates is necessary because these high rates have been one of the main sources of pressure to provide tax shelters. By reducing these rates, the top rate of 70 percent is cut to 65 percent. We can, in conjunction with the 50-percent tax limit on earned income, reduce the pressure to undo the reform and loophole closing of this bill.

First, the head of household for over 35;

Second, the widow and widower situation;

Third, tax averaging; and

Fourth, moving expenses deductions.

I want to emphasize that this is not a Democratic bill, it is not a Republican bill. It is a bill for our country, and it was reported by the committee, as far as I can remember with only two dissenting votes.

I want to pay special tribute to President Nixon, who, once having been convinced of the necessity of this program, "bit the bullet," and went to work to pass comprehensive legislation, President Johnson, who convinced the incoming administration that this had to be done.

ROGERS MORTON is chairman of the Republican National Committee, and he serves on the Ways and Means Committee. I am vice chairman of the Democratic National Committee, and I serve on the Ways and Means Committee. We both worked for this package. This is a bipartisan bill.

The work done by the staff of the Joint Committee on Internal Revenue Taxation, headed by Larry Woodworth; the work done by the staff of the Ways and Means Committee, headed by John Martin; the Treasury Department, headed



by Secretary Kennedy and his Assistant Secretary in Charge of Congressional Affairs, Edwin S. Cohen; all were outstanding and they deserve the commendation of all Americans.

This great relief can be granted with total fiscal responsibility. The projections show that for each year beginning this year, there will be substantial surpluses in both the unified and administrative budgets, and this contemplates, God forbid, the continuation of the war in Vietnam and a vastly increased expenditure for weapons.

I have just come from a briefing at the White House with President Nixon and others. I was greatly encouraged over the prospect for the lessening of world tensions. If this comes to pass, many billions of dollars now being used for destructive purposes can be put to work to rebuild our cities, to tear down our ghettos, to make the land serve the people, and make life livable and enjoyable everywhere in America.

Now is a moment for us to raise our sights. When Isabella hocked her jewels to a strange man from Italy named Columbus, I am sure her financial advisers questioned her sanity. Then, it was 3 months before she knew that he had discovered a new world. At that time, Europe was in a period of despair—men were killing one another in religious war after religious war, and there appeared to be no hope.

Shortly thereafter, another woman, Elizabeth, Queen of England, came along and she led Drake and all the others, as did the Spanish and Portuguese, to encourage their explorers to circumnavigate the earth.

And the despair of the late 15th century was dissipated by this great new challenge to mankind.

Last week, when you heard two men speak to you from the moon, when you saw them walk on the moon, you must have thought in terms of Samuel Morse, when he said—words engraved on a plaque in this Capitol Building—at the time of the first telegraphic message from Baltimore to Washington, a distance of about 35 miles, "What hath God wrought?"

Now, indeed, what hath God wrought? Hopefully, in the words of the poet MacLeish, "We are indeed all brothers on this earth."

Prior to the events of last week, there was much despair in our Nation, disorientation of the young, a widening gap between the blacks and whites, between the inner city and the suburbs, our university campuses had become so disorganized that National Guardsmen and police were required to maintain law and order.

Hopefully, now, we can turn away from the strife at home and the strife abroad—the wars and bloodshed costing an untold billion in treasure.

Hopefully, we can now think of man as he really is—created in the image of God—a finite creature with infinite capacity.

Hopefully, this legislative package will return confidence first to all Americans in our ability in both the executive and legislative branches to govern: In our

ability to achieve economic stability without runaway inflation; in our ability to retain a healthy growth rate and thus prevent what could have developed into a panic resulting in a depression which would have made 1929 look like a Sunday afternoon breeze. And haunt the Democratic party for 30 years to come.

And, finally, restore the confidence the nations of the world in the ability of Americans to work together as one nation as we manifest determination and accomplish the miracle of last week.

Mr. Speaker, I include with my remarks a résumé of the committee action which appears in the New York Times of yesterday, and a résumé which appears in the Wall Street Journal of Friday:

[From the New York Times, Aug. 3, 1969]

WASHINGTON, Aug. 2—The House Ways and Means Committee, after more than five months of work, has completed action on a tax reform bill that runs 362 pages and is generally believed to contain the most extensive revisions of the tax law ever put together in one package.

Its dozens of provisions range from a change in the standard deduction that is expected to reduce the taxes of some eight million taxpayers to provisions that eliminate special tax preferences that affect fewer than 100 individuals.

An analysis of some of its most far-reaching provisions follows:

#### MINIMUM TAX AND ALLOCATION OF DEDUCTIONS

These two provisions, in combination, were aimed at making sure that all individuals of considerable means paid a substantial amount of Federal income tax. The aim was not fully realized in the bill the committee approved, which will still permit some individuals in the oil industry to pay no Federal income tax at all. (See Oil Industry below.)

The minimum tax is a sort of group approach to a number of existing preferential provisions of the tax law.

The provisions of the minimum tax proposal say, in effect, that an individual must lump together all of his income that is rendered tax-free by various provisions of the law—the one-half of capital gains that is not taxed at all at present, for example. If this tax-free income exceeds half of his total income (providing it is more than 10,000) then tax must be paid at the regular rates on that portion which does exceed half the taxpayer's total income.

Other forms of favored income that would be subject to the minimum tax include interest on tax-free city and state government bonds; losses from farms not really operated for profit; depreciation deductions on real estate that exceed actual depreciation, and the untaxed appreciation in the value of property given to charity.

#### Allocation of deductions

The allocation of deductions also deals with tax-free income, but the list of items is somewhat different. On the one hand, only interest from newly issued state and city government bonds need be counted. But the income rendered tax-free for oil operators by excessive depletion and drilling deductions is included in the computation of the allocation of deductions.

Fundamentally, the allocations provision is designed to make sure that no one with large amounts of tax-free income, who also has taxable income, can wipe out all or even most of that taxable income through the use of deductions. This occurs widely now.

An example illustrates the situation:

Suppose an individual had \$100,000 in tax-free interest, the untaxed half of capital gains, and so on. Suppose he also had a tax-

able salary of \$50,000. If he had interest payments, local taxes, charitable contributions and other deductions totaling \$50,000, he would now pay no Federal income tax.

Under the provision for allocation of deductions, he could deduct from his taxable income only one-third of his interest, local taxes and so on—the amount of his total income represented by his taxable income. Actually, the deductions permitted would be a little more than one-third in this example, because the committee's bill permits the first \$10,000 of tax-free income to be ignored.

#### Effect on the wealthy

The minimum tax and allocation of deductions will not only force some tax payments from almost all of the wealthy who currently pay no taxes at all, but it will also bring up to a fairly substantial level of tax payments many individuals who now pay relatively trivial amounts of tax.

This indirect group approach to tax preferences, rather than a head-on attempt to eliminate the underlying preferences themselves, is one of the more controversial features of the tax reform bill.

Those who oppose this approach say that it constitutes far less than a half-loaf in terms of eliminating tax preferences that they consider unjustified. They argue further that the indirect elimination of part of the preferences will make it harder to enact further reforms, because the public at large will think the problem has been taken care of, whereas it actually has not been.

Supporters of this approach, who include the present Administration's and the Johnson Administration's Treasury Department, say that in attempting tax reform, you take what you can get, and this partial change is better than nothing.

In addition, they argue that enactment of the minimum tax allocation of deductions may make it easier to reduce further or eliminate these tax preferences.

Their reasoning is that the fight against outright elimination will become easier as the preferences come to mean less and less to those who have them because of the operation of the minimum tax and allocation of deductions.

#### REAL ESTATE

The changes proposed in the taxation of real estate operations are aimed at reducing existing tax preferences granted owners and operators of commercial buildings, without diminishing the incentives that the tax preferences provide for construction of apartment houses.

While the committee's essential aim was to continue the incentives for investment in relatively low-cost, low-rent apartments, it found itself unable to devise a rule that would retain the incentives for low-income housing while eliminating them for middle-income and luxury apartments. It therefore left intact all of the existing preferential sections of the law applying to apartment houses.

The basic tax preference that real estate operators have is the ability to amortize their properties—that is, to deduct depreciation from their income—faster than the depreciation actually occurs. At present, depreciation at double the actual rate is permitted.

The committee left intact this double depreciation for newly built residential housing. But for other new building, effective on the date of the committee's decision, July 24, the depreciation deductions would be limited to one and one-half times the actual rate of depreciation.

#### Depreciation of old buildings

The ability of real estate operators to buy old buildings and still deduct a depreciation charge in excess of actual depreciation was ended completely. Depreciation on any old building bought after July 24 would be limited to the actual, or "straight-line," rate.



The committee also toughened the provision under which the Treasury can recapture from a building owner excessive depreciation that has been taken on a building that he subsequently sells.

Finally, with its focus on problems of slum housing, the committee provided a new incentive for rehabilitation of old residential buildings. Though these buildings, once refurbished, might have a useful life of many years, the cost of rehabilitation could be deducted in just five years.

The incentive is expected to be effective, and there are already some reports of syndicates that may be formed to rehabilitate slum housing and take advantage of this new tax preference.

#### Double depreciation

The committee's decision to keep double depreciation for residential buildings and cut the depreciation on other types of buildings on one and one-half time the normal rate was a more limited action than the Treasury had recommended. It wanted these cutbacks as the first step in a two-step program of abridgement of real estate tax preferences.

Its recommended second step, in two or three years, would have eliminated the rapid depreciation for all types of buildings other than residential and for apartment houses other than low-cost.

The Treasury believed some means of defining the boundary between low-income and middle-income apartment housing could have been devised in the meantime, along with necessary changes in other Federal laws that assist housing.

The committee's changes are expected to increase the taxes of individuals and corporations in the real estate business by \$400-million to \$500-million annually after a few years. Since the provisions apply only to future real estate transactions or buildings, the increase in the first year would be only about half this amount.

#### OIL INDUSTRY

With the public at large, probably the most popular change that the committee voted was its reduction of the depletion allowance permitted the oil and gas industry from 27½ to 20 per cent. Proportional decreases were also voted in depletion allowances for almost all of the more than 100 other minerals on which smaller amounts of depletion may be taken. The depletion allowance is a simple deduction from gross income.

The committee also voted changes in the taxation of the oil industry that may have a greater impact on its operations than the cut in the depletion allowance.

It left almost untouched the present tax preference—accorded the oil industry alone—that can be coupled with the depletion allowance to permit many oil operators, especially the unincorporated independents, to escalate all, or nearly all, Federal income tax on millions of dollars of income annually.

The untouched provision is the ability of the industry to deduct in the year paid out most of its costs of exploration for and development of oil wells. These costs are comparable to capital outlays, which in other industries, have to be deducted over a period of years. The special preference for the oil industry is called the "expensing of intangible drilling costs."

While the committee formally estimated that the cut in the depletion allowance for oil would increase the taxes paid by the oil industry by \$360-million annually, there is general agreement that the estimate may be high. That is because the "expensing of intangible drilling costs" can still be used—even with the cut in depletion—to reduce taxable income as much as before.

The combination of depletion allowance and intangible drilling costs works like this:

Suppose an independent oil producer had gross income of \$1-million from his existing wells. Suppose his business expenses—payroll and so on—totaled \$300,000.

At present, in making out his tax return, he can deduct \$275,000 from his gross income as the depletion allowance. That, with his regular operating expenses, makes \$575,000 in deductions. If he wants to avoid all Federal income tax, he has to spend \$425,000 in exploring and developing new wells, which he can then also deduct. He does not actually have no income; he has the \$275,000 represented by the depletion allowance. But he has no taxable income.

#### Income cut to zero

With the depletion allowance cut to 20 per cent the deduction in the example would be reduced from \$275,000 to \$200,000. But the oil operator could still reduce his taxable income to zero simply by increasing his drilling expenses from \$425,000 to \$500,000. The additional amount he spent would produce more income for him in the future—against which a still-larger depletion allowance could be taken.

However, not all oil operators—particularly not the giant integrated corporations—are actually able to keep up their drilling expenses to the point of reducing their taxes to nothing, so the change in the depletion allowance will increase the industry's taxes to some extent.

Possibly greater impact on the industry would come, however, from the committee's actions to remove the tax advantage from some elaborate arrangements known as "carved out production payments" and "ABC transactions," in which several parties are involved in the sale, back and forth, of mineral rights or the shifting of income from one year to another—all for purposes of avoiding income taxes. The additional tax collections from these changes are estimated at \$200-million a year.

In addition, the committee also clamped down on some of the tax advantages that can arise from the overseas operations of oil companies, especially those in parts of the world where royalties are paid to sovereigns for drilling rights. No real estimate has been made of the revenue effects of this provision.

#### TAX-EXEMPT FOUNDATIONS

A large number of restrictions were voted by the committee. They fall into two rough groups: limitations on the financial and business dealings of the foundations and restrictions on the way they can spend their money.

In addition, the committee voted a 7½ per cent tax on the income foundations have from their investments and an alternative tax of 5 per cent of the market value of a foundation's assets to prevent foundations from deliberately shifting into low-earning assets to avoid the tax.

There will be little revenue impact from the restrictive provisions the committee adopted. Raising revenue was not the committee's intent in this area. Instead it wanted to set forth new limitations on what foundations may do and still retain their tax-preferred status.

The restrictions on financial transactions are mainly aimed at stopping individuals from setting up foundations essentially for tax-avoidance purposes rather than the educational, scientific, civic, or other public purposes for which foundations are supposed to exist.

#### FOUNDATIONS' REACTION

The big foundations whose names are well-known to the public—Ford, Carnegie, Rockefeller, and so on—have no objections to these provisions.

The committee's decisions to limit foundation activities have stirred considerable protest, however, although many of the limitations originally voted were subsequently modified.

A bar against direct foundation financing

of voter registration drives remains in the bill, although indirect financing through other organizations would be permitted. (The idea behind this ban was that such voter-registration drives are really not non-partisan.) In addition, foundations would be barred from any attempts directly to influence legislation, even if such attempts did not constitute a substantial portion of their activity. They could still sponsor independent research on issues that might be related to legislative matters, however.

#### CURBS ON AID TO OFFICIALS

Details concerning the sources and disposition of foundation income—including the names of recipients of foundation grants—would be required to be made public.

No grants could be made directly to individuals except under specified standards, announced in advance, and approved by the Internal Revenue Service.

In addition, in an attempt to reduce the concentration of economic power in the hands of foundations, the committee voted generally to \* \* \* ship of more than 20 percent of the voting stock of any company.

#### OTHER TAX-EXEMPT ORGANIZATIONS

Most tax-exempt organizations, such as educational institutions or charitable organizations, must pay taxes on the income they receive from business activities that are completely unrelated to the purpose for which they received their tax-exemption.

The income from any type of manufacturing would be taxable, for example.

At present, however, churches, social welfare clubs, civic leagues, social clubs and fraternal beneficial associations pay no tax on such "unrelated business income." (They would be required to do so, under the committee's bill.)

Churches were given six years to dispose of their unrelated businesses before the tax is imposed.

[From the Wall Street Journal, Aug. 1, 1969]

HOUSE UNIT PROPOSES \$6.5 BILLION CUTS FOR TAXPAYERS; SENATE AGREES TO EXTENDING 10-PERCENT SURTAX ONLY UNTIL DECEMBER 31

MASSIVE REFORM BILL RAISES BURDEN ON RICH PERSONS, AIDS MIDDLE, LOW GROUPS

(By Fred L. Zimmerman)

WASHINGTON—The House Ways and Means Committee, in a stunning climax to months of work on a tax-reform bill, proposed nearly \$6.5 billion of rate reductions and other benefits for taxpayers, mainly in lower and middle-income brackets.

The massive reform and relief bill, described by a Congressional tax expert as the "biggest restructuring of the tax code in history," is scheduled for a House vote next Thursday.

The politically difficult decision legislators will face in voting to raise substantially the tax burden on most wealthy individuals and on a variety of industries will be made easier by the committee's inclusion of sweeping relief for most individual taxpayers.

The bill is designed ultimately to increase annual Federal revenue through "loophole-closing" by almost precisely the same amount that the Treasury will lose each year through the rate reductions and other tax breaks the committee approved.

Rate reductions totaling \$2 billion, which will take effect during calendar 1970 and 1971, will average 5% of taxable income when fully effective. Application of the cuts will begin at the point in current tax tables where individuals become subject to a 21% tax rate. This level generally applies to married persons with \$8,000 of taxable income and single persons whose income is \$4,000.

The committee also decided on a major increase in the standard deduction of 10% of adjusted gross income, with a \$1,000 maxi-



mum—the device used by individuals who don't file itemized returns. The deduction would be raised gradually to an eventual level in 1972 of 15%, with a \$2,000 maximum.

#### *Standard deduction change*

In calendar 1970, the standard deduction would go to 13% with a \$1,400 maximum, and the following year it would rise to 14% with a \$1,700 maximum.

The committee also decided to cut the top individual tax rate to 65% of income from the current 70%. Additionally, it sets a 50% maximum tax rate on earned income, as of next year. This would benefit those relatively few wealthy persons who currently pay Federal income tax totaling more than half their income because they lack sufficient deductions and exemptions.

The committee also decided to lessen the tax burden on single persons over age 35 who maintain a household by allowing them to claim "head of household" status when they file tax returns.

Widows and widowers with dependents who are under age 19 or attending college would be allowed to file joint returns, generally lowering their tax liability.

The committee also decided to abandon its earlier plan to phase into law gradually a "low-income allowance" that will reduce or eliminate the tax liability on 12 million returns of lower-income persons. Making this allowance fully effective next year will constitute a bigger tax break than originally planned for low-income families.

As a final tax-tightening action, the committee voted to increase the corporate tax rate on long-term capital gains to 30% from 25%.

By 1975, when most of the provisions will be fully effective, the committee's reform package will have increased annual Federal revenue by \$7.02 billion and decreased revenue by nearly \$6.88 billion, for a net annual gain of \$145 million.

Thus, the committee seemingly has made good on the long-standing prediction of Chairman Mills (D., Ark.) that the committee's tax-reform bill—on which work began last February—would have a "nearly neutral" revenue effect.

#### *Costs to Government*

Other revenue estimates, all still tentative, show the standard-deduction boost costing the Treasury \$2.1 billion a year by 1972, and the low-income allowance costing the same annual amount starting next year.

The estimated overall revenue gain of about \$7 billion includes an annual pick-up for the Treasury of about \$3.3 billion from proposed repeal, retroactive to last April 18, of the 7% tax credit for business-equipment purchases.

Imposition of the 50% maximum tax on an individual's earned income initially would cost the Treasury an estimated \$200 million annually but eventually the loss would drop to about \$100 million.

Although \$6.5 billion of tax relief will be an attractive proposition to vote for, many lawmakers will agonize over supporting the bill's tough tightening of a host of long-standing preferential tax arrangements.

Among the bill's most controversial provisions are these:

A cut to 20% in the 27½% oil-depletion allowance, a special tax break that's cherished by the politically potent oil industry but is widely regarded by Congressional liberals as most glaring symbol of what's wrong with the Federal tax code.

Imposition of a tax of 7½% of net investment income on currently tax-exempt private foundations, as well as a series of stringent new curbs on their activities.

Elimination of the 25% maximum alternative tax rate on long-term capital gains, and lengthening to one year from the current six months the holding period that's

required before sale of an asset is eligible for capital-gains treatment.

Imposition, under certain circumstances, of a tax on individuals' interest receipts from currently tax-exempt state and local bonds.

Establishment of a Federal subsidy arrangement designed to encourage state and local government to issue taxable, rather than tax-exempt, obligation. The committee decided that the subsidy should be fixed by the Treasury Secretary within a range of 25% and 40% of a bond's interest yield, except that during the first five years that the arrangement is in effect the range would be 30 to 40%.

FINAL ACTION IS EXPECTED ON MONDAY; EMPLOYERS TOLD TO CONTINUE WITHHOLDING

(By Arlen J. Large)

WASHINGTON.—Congress failed to meet in tidy fashion last midnight's deadline for maintaining income tax withholding rates at present levels, but lawmakers confidently insisted it won't make any difference.

Agreeing, the Internal Revenue Service "advised" all employers to continue using the present tables and rates for income tax withholding. These rates and tables include both the regular income tax and the surcharge.

As Congress quit for the night, this was the situation:

—Both the House and Senate had approved an extension of the 10% surtax through Dec. 31. But approval didn't come in identical legislative form, as required, and President Nixon wasn't here to sign any bill, so the new Dec. 31 expiration date isn't yet law.

—Legally, employers today are entitled to withhold tax from payrolls at the lower pre-surtax rates. But the House is prepared to vote Monday to accept the Senate version of the bill, extending both the surtax and the present withholding rates, and send it to the White House. President Nixon is scheduled to be home from his round-the-world trip by Monday and will be ready to sign the bill into law.

—Congressional tax-writers and Treasury officials contend that, during the interval between last midnight's expiration of surtax-based withholding schedules and their expected restoration sometime Monday, employers will be safe in withholding payroll taxes at the present level.

#### *Approval seen Monday*

Technically that's illegal, but their justification would be the fact that both the House and Senate are on record as wanting the surtax extended until Dec. 31, and the strong probability that the legislative mess will be tidied up on Monday. Both Chairman Mills (D., Ark.) of the House Ways and Means Committee and Rep. Byrnes of Wisconsin, the committee's ranking Republicans, predicted the House will approve the surtax extension in final form on Monday.

IRS Commissioner Randolph Thrower "advised all employers" in a statement last night to continue using the present rates and tables in computing how much Federal income tax to withhold from workers' pay. He went on:

"Now that both the House and Senate have voted to extend the 10% income tax surcharge . . . Congress is expected to complete final action on the surcharge extension in the next few days. In view of this anticipated action it would be in the interests of both employers and employees to continue the present withholding rates, even though there may be a few days in which the statutory basis of the surcharge is in transition. This will maintain the withholding that many employees will need to meet their tax obligations, assuming the passage of the legislation."

Congress enacted the 10% surtax on individual and corporate incomes last year, and the surtax expired on June 30, as provided by law. But as the June 30 date approached, efforts to renew the surtax became mired in

demands for basic reform of the tax laws. Old-fashioned squabbling between Democrats and Republicans and between the House and the Senate added to the problems. The result is today's confusion for employers on payroll withholding and the spectacle in Washington of 535 wrangling lawmakers who couldn't meet a deadline.

#### *Previous House action*

In late June the House narrowly voted to extend the surtax at its 10% level through Dec. 31 and to let it drop to 5% through the first half of 1970, after which it would expire. Included in the same measure was repeal of the 7% tax credit for businessmen's equipment investments, and a special provision removing low-income families from the tax rolls.

This bill hit the Senate at a time when Majority Leader Mansfield of Montana and other key Democrats were building a crusade for tax reform intended to close "loopholes" for the privileged and give a break to middle-income families. With the surtax extension obviously being held in the Senate as a hostage for that crusade, Congress acknowledged missing its first deadline—June 30—by voting a 15-day extension of the payroll withholding rates based on the expiring surtax. This was intended to give everyone more time to sort out the surtax reform muddle.

Then began a series of partisan maneuvers and rejected "compromises," which ended in a ringing verbal pledge by all Senate leaders with any rank whatever to bring a big tax reform package to the floor by Oct. 31. Only yesterday, with that wrangle evidently settled, did the Senate begin serious voting on what to do about extending the surtax.

On one key vote, the Senate decided 66 to 34 to defer for the time being any repeal of the 7% investment credit. It was generally agreed this will be accomplished in the promised tax reform package, and the repeal will be retroactive to April 18. A number of industries are fighting to continue using the investment credit for purchases of particular machinery, and various Senators will try to exempt these businesses from a general repeal. But the Senate didn't want this fight to interrupt the effort to extend the surtax itself; that's why the investment credit issue was postponed.

Sen. Mansfield and his Democratic troops already more or less had agreed on an extension of the 10% surtax through Dec. 31 only, letting it drop completely thereafter. Most Senate Republicans, regarding this as an overtly partisan proposal, voted against it. The Democrats narrowly prevailed, 51 to 48.

Then Sen. John Williams of Delaware, senior Republican on the Finance Committee, sought to give the Nixon Administration the rest of what it wants: The further extension of the surtax at 5% for the first half of 1970, as the House already had voted. But with all 100 Senators present in a rare display of perfect attendance, and with voting largely following party lines, the Democrats defeated that effort, 59 to 41. Then the Senate passed the bill—extending the 10% surtax through Dec. 31 only—by a vote of 70 to 30.

Not long after the final vote, the Senate adjourned for the day, leaving it to the House to decide how to reassemble these various scraps of legislation in which the two bodies agreed only on the extension of the 10% surtax at least through Dec. 31. Last night, after the House had adjourned, the Rules Committee met briefly and approved a plan that would bring the Senate-passed bill to a House vote on Monday afternoon. If the Senate measure is approved there, as expected, the surtax will be legal again.

Treasury Secretary Kennedy, in a statement, said the Senate vote "underscores the general consensus on the importance of action to curb inflation." Acknowledging that the extension "is six months short of the full year requested by the President," he took comfort



in remarking that "Senate Democratic leaders gave assurance of early consideration" to the House-passed bill of late June that would extend the surtax through next June 30 at 5% and would repeal the tax credit for investment.

(Mr. BOGGS asked and was given permission to revise and extend his remarks and to include extraneous matter.)

Mr. SMITH of California. Mr. Speaker, I yield 4 minutes to the gentleman from Iowa (Mr. GROSS).

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Speaker, on the subject of the constitutional prerogatives of the House, I remind you that a year ago, when the Senate took a bill to continue certain excise taxes and added to it the surtax and sent it back to the House, I then challenged the action of the Senate by arising to a question of the privilege of the House. I did not see many hearts bleeding at that time in support of my contention that the Senate had gone beyond its constitutional authority in originating tax legislation. It is not difficult to remember that the resolution I offered was tabled by some of those who are now shedding tears over the treatment they are getting from the other body.

Mr. Speaker, in view of the fact that contradiction is an accepted way of life here, it is appropriate that this legislation to continue the surtax be considered today, coming as it does hard upon the heels of House approval of the health, education, and labor appropriation bill which was ballooned \$2 billion above the spending rate of last year.

This despite all the fine talk on the part of some—and I said "some"—Members on the Ways and Means and Appropriations Committees who assert on one day that inflation cannot be halted by picking the pockets of taxpayers for additional billions to spend, and then, with the greatest of ease they vote for an appropriation bill that has been kited by \$2 billion.

This is contradiction and worse. This is pouring gasoline—not water—on the flame of inflation.

Virtually every spending bill that has come before the House in this session has been increased over last year's spending rate and yet there is the colossal gall to continue to sock the taxpayers. Instead of fiscal responsibility there is the resort to fiscal quackery. Why not spending reform? Or is it proposed to continue kidding the public?

In a related area, our common-use currency has been debased and debauched. A few days ago, the U.S. Government joined with Europe's international bankers to perpetrate a further debauchery—the issuance of paper gold. Time was when civilized nations settled their debts in dollars, pounds, and gold metal.

Henceforth all that will be necessary will be to oil up the printing presses, put some gold colored ink in the ink wells on the printing presses, feed in the paper and presto—there is the money—paper gold, billions of it.

Mr. Speaker, until there is a clear demonstration—and I do mean a clear

demonstration—that the revenues from the surtax are not going to be hauled to Washington merely to provide for more spending, more debt, and deficit, I cannot and will not vote to continue the surtax.

Mr. COLMER. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. SISK), a member of the Rules Committee.

Mr. SISK. Mr. Speaker, I rise in support of this resolution.

I join with my distinguished friend the chairman of the Committee on Rules in deploring the procedures we are faced with today. It would be my hope that there might be some method found, either through legislative reorganization or some other approach, to avoid this all-too-frequent procedure whereby non-germane subject matter is added in the other body.

I think that the increasing frequency of this procedure is really becoming of great concern to most Members of this House. So, Mr. Speaker, I wish to raise my voice, along with that of the gentleman from Mississippi and others, in the hope that we might be able to develop some way to avoid this kind of procedure in the future.

Let me say that it would be my hope the House will proceed to pass this resolution today, since it is authorizing a 6 months' continuation of the surtax in the first place, and certainly it is my hope that we will proceed later this week to pass a good and meaningful tax reform bill and see if we cannot bring about a more equitable distribution of our tax load.

(Mr. SISK asked and was given permission to revise and extend his remarks.)

Mr. COLMER. Mr. Speaker, I yield 2 minutes to the gentleman from Louisiana (Mr. WAGGONNER).

(Mr. WAGGONNER asked and was given permission to revise and extend his remarks.)

Mr. WAGGONNER. Mr. Speaker, a few moments ago my colleague from Louisiana (Mr. Boggs) spoke at some length and even then briefly about the so-called tax reform bill, H.R. 13270, which was introduced by the House Committee on Ways and Means Friday last. I hold here in my hand a copy of that proposal. I cannot help but note that this bill as printed contains 368 pages. Mr. Speaker, no Member of this House saw a full and complete copy, except that which was carried in the CONGRESSIONAL RECORD Friday, until today. As yet the only part of the report on this Tax Reform Act of 1969 is part I and it is 226 pages long. I understand that there are other parts to follow. How many I do not know, but probably only one other.

Mr. BOGGS. Mr. Speaker, will the gentleman yield to me?

Mr. WAGGONNER. In just a moment.

I do not consider myself to be stupid or a brain, either. The House Committee on Ways and Means has been giving consideration to tax reform in one form or another for a period of years, not just since February of this year. I do not believe, in all seriousness, that the Members of this House can give the consideration to this legislation that it is due and

then cast an intelligent vote and know how this affects them and the people of this country at the time that we are going to be called on to vote, Thursday night. This is considered to be the most extensive tax reform bill in history. I simply believe this House needs more time to see what this bill does.

I have made a supreme effort to learn what has been going on in the committee hearings and I have read every account which has been published, but as to the actual consequences of this legislation, there is little I know and little anyone not a member of the Ways and Means Committee knows.

I want to know what I am voting for or against. I want to know how this legislation will affect every man, every businessman, every housewife. This bill covers 27 areas of taxation and is, in my studied opinion, the most complex piece of legislation that has come before the House in several decades. I beg the House to give us time to study this bill and its report. So far, we have been handed 594 pages of legislation and report, with even more to come. How can we possibly vote intelligently on this complicated measure on such short notice? Frankly, I believe the only reason we are being asked to rush this bill through is because there is serious doubt it would pass if we knew what was in it.

I am not interested in the snap judgment of some newsman who has probably had less contact with this legislation than I have had. I need time—we all need time—to study the details and the ramifications of this bill before we vote it up or down. I urge the leadership to give us that time.

Mr. BOGGS. Will my distinguished colleague yield to me?

Mr. WAGGONNER. I am happy to yield to the gentleman.

Mr. BOGGS. I never like to suggest outside sources to the gentleman, but I would suggest that he read the following: The New York Times of yesterday has a complete résumé of all the reforms. The Wall Street Journal of this morning has a complete résumé, and the Congressional Quarterly has a complete résumé.

Mr. SYMINGTON. Mr. Speaker, I rise in support of the surtax for the remaining months of this year. Only a few weeks ago there was little prospect that broad tax reform, and some tax relief, would be forthcoming. Opposition to the surtax at that time effectively registered this concern, and reform legislation will now be considered at an early date: this week in the House, and shortly thereafter in the Senate. Today I will vote in favor of the 6-month extension to fight inflation. By combining it with reform and relief we can maintain the confidence of the taxpaying public, as well as the economists; we insure that our responsibility to the economy is matched by our responsibility to the middle-income taxpayer.

Mr. HORTON. Mr. Speaker, the question before us is whether to approve the temporary, 6-month extension of the income tax surcharge which the Senate approved last week.

At the end of June, I opposed the full-year extension of the surtax because I



felt that it would, without needed tax reforms, intensify tax inequities for middle-income Americans. During debate on the full-year extension, I stated that I would favor temporary extension of surcharge withholding rates for a few months—as many as it would require Congress to enact tax reforms with deliberate speed.

The disturbing fact about extending the surcharge is that it is applied to the present inequitable tax base. A month ago, there was little or no prospect that the tax structure would be improved even in calendar year 1970. All we had to go on was talk about tax reform. Some members of the Ways and Means Committee indicated that they did not expect action on reforms until the second session of this Congress. Further, I felt that if the 1-year extension of this surtax were adopted, it would have removed pressure for prompt action on reforms.

Several legislative developments have taken place in the past month. First, and most important, the Ways and Means Committee, after months of concentrated deliberation, has reported to the House, a 368-page bill containing many meaningful reform provisions. That bill, H.R. 13270, is scheduled for debate and voting at the end of this week. Second, the Senate leadership has placed a priority on tax reform by refusing to enact the full-year surcharge extension as passed by the House. Senator MANSFIELD has indicated, however, that Senate consideration and debate of a tax reform bill would carry into late October of this year.

I concur in the administration's view that the Federal budget must be balanced and inflation curbed. I agree that the surcharge, while it is far from the only tool that is needed, is one weapon needed to assure a balanced budget. I believe that those of us who have placed a higher priority on reform than on the surcharge have won a very significant victory.

It is clear that there will be no full year extension of the surcharge until and unless we have action on a tax reform bill. The final 6-month extension, from January 1 to June 30, 1970, is attached to the reform bill itself. Further, it appears that it will take almost a 6-month temporary extension to continue the surtax during congressional deliberation on the tax reform bill. If the Senate majority leader's estimate is correct, it may be November before the President has a reform bill for signature.

I feel that the very close vote on the full-year surtax extension in the House, and the opposition to the extension in the Senate have precipitated significant action on essential tax reforms. We have some further assurance of success in enacting reforms because if this year closes without the enactment of a reform bill, it will also see the end of the surtax.

Therefore, I feel I can support an extension of the surcharge until December 31, with some assurance that meaningful tax reforms will be on the books before the year's end.

Mr. REID of New York. Mr. Speaker, when this House voted for a 12-month extension of the surtax on June 30, I said:

I feel most strongly that before final enactment of this legislation, there must be

major tax reform, fair to all and to relieve the hard-pressed middle-income family, and I will oppose final enactment of the surtax unless tax reform is also passed.

For this reason, Mr. Speaker, I feel constrained to vote against the 6-month extension of the surtax today. I do not feel that there is sufficient assurance that we are going to get tax reform that will result in meaningful relief for middle-income families nor action to close serious, inequitable loopholes. I feel that I would be breaking faith with my constituents if I supported a final surtax extension before such reform is assured.

The distinguished gentleman from Arkansas (Mr. MILLS) and his colleagues on the Ways and Means Committee have reported out a tax reform bill which we will take up later this week and which contains improvements that have been long overdue. Yet I do not think that the small downward revision in the rate structure and the phased increase in the standard deduction will really make a significant difference to the middle-income family with a mortgage, medical bills, school taxes, and children to send to college. A minimum tax on the wealthy and restrictions on the tax preferences they now enjoy provides symbolic relief to middle-income families, but actually does little to lower their tax payments.

While there appears to be agreement to report a tax reform bill to the Senate floor by October 31, it is far from clear that the Senate will act firmly to close several blatant loopholes, such as the oil-depletion allowance.

Indeed, the bill reported out of the Ways and Means Committee could be stronger on this and other sensitive issues, and the measure before us today has been stripped of tax relief for the poor and repeal of the 7-percent investment tax credit—although both provisions have been included in the omnibus reform bill.

Thus, as the New York Times commented this morning:

The unanswered question is whether the impulse for reform will be seriously blunted now that the surtax is no longer being held hostage by the liberal forces. . . . With an agreement on the surtax, there is now sure to be more backsliding in the face of pressure from the special interest lobbies.

There is much talk these days about what Americans in the heartland really want. I think that many Americans, in whatever section of the country they reside, want relief from an intolerable and unfair tax burden. I am not satisfied that that relief is assured, and, while there are sound fiscal and monetary reasons for extending the surtax, I cannot in good conscience vote for an additional tax burden on American wage earners at this time.

There are, to be sure, dangers in not enacting the surtax extension; but equally, there are dangers in not enacting major and meaningful tax reforms. The administration has had a number of months to work out a comprehensive and equitable plan with business, labor, and the financial community regarding the economy, including tax reform; continuing incentives for our competitive free

enterprise system; spending controls on farm subsidies and the military-industrial complex; curbs on interest rates, provisions for dealing with the balance of payments, trade deficits, special drawing rights, and international liquidity; and other elements. I have indicated my willingness to vote for the surtax as an essential item in this picture to help control inflation, but not as the only item that is going to be acted on this year.

The surtax will not provide relief alone; nor will it alone control skyrocketing consumer prices. In short, there has just not been a timely and comprehensive approach to the problems of the economy, and I think it would be a disservice to the Nation to vote for the surtax when progress on other related economic questions is far from assured.

Mr. BINGHAM. Mr. Speaker, although it now appears that the House will have an opportunity to vote on a tax reform measure this week, it is not at all clear whether the Senate will act on it at this session or what kind of bill the Senate will pass if it does consider tax reform.

It has been my consistent position that the 10-percent surcharge should not be extended without accompanying tax reforms which will give relief to low- and middle-income taxpayers and will at the same time close some of the loopholes that now enable many wealthy taxpayers to pay little or no income tax.

The fact that the Ways and Means Committee was able to report out a reform bill with considerable speed confirms my judgment that it is entirely feasible to enact tax reform and the surcharge extension in one package.

Since the bill before us leaves the question of tax reforms unsettled and since a package bill would be feasible, I shall vote "no."

Mr. VANIK. Mr. Speaker, today I will vote against the extension of the surtax. It has utterly failed in its promise to control inflation. On the contrary, it has served to fuel the fires of inflation.

It is said that the surtax is essential to hold down inflation. Well, it has not done very much in the past year. Prices have been moving upward ever since. None of our very expensive economic advisers have been able to claim that our current inflationary thrust is consumer-oriented. The average taxpayer, the consumer, has not overindulged. We are not in short supply of anything but money.

When we passed the surtax, it served to raise the price of everything. It became an add-on price. The manufacturer added on the surtax, labor added the surtax, the distributor added the surtax, and the merchant added the surtax. The extension of the surtax will continue to "heat up" the inflationary spiral. Not all of the increases have yet been made. There is more to come. A final round of utility price increases is still in the works. The utilities need the surtax to maintain their claim for higher rates.

When Congress passed out the surtax, we rolled up the prices of everything. The Federal Government can roll back prices by rolling back taxes which are a part of the price of everything we



buy. We can lead the way by collecting less and spending less.

The President would like the surtax—and I do not blame him for changing his mind. By Treasury's own admission last May, the extension of the 10-percent surtax to December 31, 1969, and the repeal of the investment credit and the continuation of the excise tax on motor vehicles and telephone service would produce a unified budget surplus of \$4.3 billion. In view of the "surprise" 1969 surplus of \$3.2 billion, there is every reason to believe that the 1970 surplus with a December 31, 1969, termination of the surtax would substantially exceed \$5 billion.

Mr. RANDALL. Mr. Speaker, today as we come to another chapter in the extension of the income tax surcharge until December 31, 1969, we are engaging in what must be for the thoughtful bystander a mystifying and occult exercise.

If a visitor were to ask what was being considered by the House he would be told it was "H. Res. 509," which is an abbreviation for House Resolution 509. He would be told that the House was really considering the extension of the surtax. Our curious visitor would then ask and would receive a copy of the resolution and the report to accompany House Resolution 509.

Try as he would, our hypothetical observer would look in vain to find any reference in House Resolution 509 to a surtax. He would find instead that it provided for the adoption of H.R. 9551, which had to do with the collection of the Federal unemployment tax. He would ascertain the resolution contained exactly 12 lines on the first page and 2 lines on the second. Near the foot of page 1, at line 11, House Resolution 509 contained the words "and for other purposes, with the Senate amendment thereto, be, and the same is hereby taken from the Speaker's table to the end that the Senate amendment be and the same is hereby agreed to."

Then at this point, even a student of government who had studied something about how our laws are made would ask to see a copy of the report to accompany House Resolution 509, to try find out what the House was agreeing to, our student would think, as he had been taught, that if there were some wording in the resolution which was not plain or clear, the best thing to do would be to read the report which would surely explain the purposes, the objectives, and all details about the measure under consideration.

Bear in mind our hypothetical visitor has been told that the House was considering an extension of the income surtax until December 31, 1969. When he finally obtains a copy of the report it is headed "Providing for Agreeing to the Senate Amendments to the Bill H.R. 9551," which he finds has to do with unemployment-compensation insurance and which contains exactly three lines as follows:

The Committee on Rules, having had under consideration House Resolution 509, reports the same to the House with the recommendation that the Resolution do pass.

Mr. Speaker, to suggest that we extend the surtax in this manner, is puzzling, is a masterpiece of understatement. It would seem that we are trying to involve ourselves in some kind of parliamentary mystery by which we deliberately set out to make the situation exceedingly difficult to understand. Could it be that we are trying to be occult? As I understand it, the definition of occult is something hidden from sight. I submit that House Resolution 509 and the report which accompanies it completely hides from sight any mention of the extension of the income tax surcharge. It is little wonder why one visitor today was heard to observe after reading both of these documents which were supposed to provide for the extension of the income tax surcharge:

This is beyond the scope of my understanding. It is a strange way to legislate.

Mr. Speaker, without the time to explain to every visitor how we run our legislative railroad, House Resolution 509 should be defeated and the surtax should be ended. The surtax was sold to a reluctant Congress as the only effective way to halt inflation. The fact of the matter is, it has not even made a dent in inflation.

As we continue today the surtax in its full amount, we are in reality adding another tax increase. The reason is that the 1968 portion of the surtax amounted to only a 7½-percent tax on a tax because it was only for three-quarters of a year, beginning on April 1, 1968. Extending it to cover the entire year of 1969 in essence amounts to a tax increase.

I was surprised at the comment by a well-known Washington newsletter, circulated privately to businessmen, which recently suggested that Congress had engaged in a display of irresponsibility because it had not passed the surtax for the full amount until mid-1970. Well, that is just one editor's view. In our country today there are an unlimited number of self-styled professional economists. In reality most of these persons are impractical, theoretical economists, lacking in practical economics and inexperienced in actual business management.

These are the theorists who have just finished telling us that the surtax is now beginning to take hold and that the economy is cooling off. The true facts are that there is abundant evidence to the contrary. Consumer installment credit rose by \$795 million in June of 1969, after having risen by \$846 million in May of 1969. The point should be emphasized that the June 1969 increase was \$79 million greater than the consumer credit increase for June 1968, one year earlier. Does that show that the economy is cooling off?

Instead, the surtax may be adding fuel to the fires of inflation. There is no doubt but that there has been some consumer income has been going to pay the 10-percent surtax. Yet consumer purchases have not been cooled. This would indicate that, instead of consumers having the cash to pay for these purchases, they are today actually borrow-

ing the money to make the purchases at 9 percent or more.

It would seem that a strong case could be made that the real issue over the surtax extension is not control of inflation, as is so frequently argued, but what is really involved is the level of Federal spending. If Congress continues to spend whatever the tax system will raise, then a vote for the surtax is a vote to continue to increase the fraction of our resources which will be used by the Federal Government. Inflation in the private sector may come under some small control, but the real inflation is in Government spending. To continue to ask consumers to cut back spending and enacting a surtax to enforce that request means to provide the way for the Government to spend more than can be accommodated by previous revenue yields. As I pointed out, from the huge increase in consumer installment credit, it is the consumer that is paying the surtax—but is doing it by borrowing the money at 9 percent or more.

Mr. SMITH of California. Mr. Speaker, I yield 3 minutes to the distinguished minority leader, the gentleman from Michigan (Mr. GERALD R. FORD).

(Mr. GERALD R. FORD asked and was given permission to revise and extend his remarks.)

Mr. GERALD R. FORD. Mr. Speaker, on June 30 of this year, by a close vote of 210 to 205, the basic bill involving the surtax extension and phaseout and other provisions passed this body. Let me say at the outset that I pass no judgment on anyone's vote at any time, but it seems to me that at this final stage, where we are considering a portion of that bill, I would hope that each and every one of the 210 who are here today who voted for it June 30 would maintain their position. And, I would like to urge that at least some of those who voted in opposition—the 205—to reconsider and on this occasion vote for this extension.

Basically, on June 30, those who opposed were in three categories: those who traditionally in this body on both sides of the aisle who have voted to a greater extent than most of us against appropriations felt that since they were not responsible for the increases in expenditures, had no compulsion to vote for the extension and phasing out of the surtax legislation.

Then there were some who voted against it, and I really was never quite clear as to why, but at least they voted against it and contributed to the narrow margin of victory by which it was passed.

Then there was, I gather, a very substantial number among the 205 who in good conscience questioned whether there would be tax reform legislation before this body this year, or in the near future.

Well, let me say this, taking the last first. We have a tax reform bill here—368 pages—it is bona fide, it is legitimate good tax reform legislation and I intend to support it. I think we ought to pass it. It will be before us on Wednesday and Thursday of this week.

So, the action of the Committee on Ways and Means should have dispelled beyond any doubt those who questioned



the fact as to whether there would be tax reform legislation pending before this body to consider and approve. So, those who had that reservation on June 30 ought to join us who voted for the surtax legislation.

Then, those who fell into that category of voting against the surtax by having some questions, perhaps, about expenditures. These, who have consistently voted against appropriations, can rationalize support today by endorsing the views of economists and financial experts who say this surtax extension is badly needed to save the economy from the brink. They ought to be persuaded at this late date that it would be catastrophic for us to turn it down.

The SPEAKER pro tempore. (Mr. FLYNT). The time of the gentleman from Michigan has expired.

Mr. SMITH of California. Mr. Speaker, I yield the gentleman 1 additional minute.

The SPEAKER pro tempore. The gentleman from Michigan is recognized for 1 additional minute.

Mr. GERALD R. FORD. And, then there are those who voted against the tax bill on June 30 for reasons which in their mind might be good, who yet voted for example last week to add \$1 billion in expenditures to the fiscal year 1970 budget. However, I think they really ought to step up and bite the bullet. After all, if they are going to add \$1 billion to expenditures, they ought to be willing to help finance the extra cost of those vast expenditures.

For those reasons, Mr. Speaker, I strongly hope that we have a substantial vote for this legislation today.

Mr. SMITH of California. Mr. Speaker, I yield 4 minutes to the gentleman from Wisconsin (Mr. BYRNES).

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. BYRNES of Wisconsin. Mr. Speaker, as has been pointed out, we passed a bill to extend the surtax on June 30. In that bill, the surtax would be extended for the last 6 months of this year at a 10-percent rate, which amendment is now before us. That bill also contained other items.

Certainly there is much, it seems to me, that needs to be criticized in the way the other body has treated a most significant and most important piece of legislation sent to it by this body. The procedure of adding just one part of that legislation, taking one facet of that legislation and adding it to the unemployment compensation bill which we sent to the other body, leaves much to be desired. I do not believe, however, that there is anything to be gained at this time by rejecting that action.

I think we also have to recognize that if the business of this country is to proceed, then there must be comity between the two bodies. But I think it is appropriate, Mr. Speaker, at this time to say to the other body that least as far as some of us are concerned, our patience is being worn rather thin with this failure on the part of the other body to recognize that this House has some rights.

Mr. Speaker, at the time this bill was before us in June many Members contended that they could not support a continuation of the surtax until there was tax reform. While I am not going to go into details at this time—and I do not believe that this is the appropriate time to discuss the reform package that was reported from the Committee on Ways and Means last week, and which will be before this House for consideration on Wednesday and Thursday of this week—I do think it must be said to those Members that you now have no excuse for voting against this limited continuation of the surtax on the basis that it has to be held hostage in order to obtain reform legislation. That reform legislation is before the House.

I think the committee, in reporting out the legislation, has confounded some of the skeptics who said it could not be done. Yet they have proved that it can be done.

I think we have reported a very substantial and meaningful bill to the House in a most difficult and a most complicated matter. I think the House, when it goes into details next Wednesday and Thursday, will give it an overwhelming vote of support.

But, Mr. Speaker, in spite of the delays, in spite of the procedures that can be criticized, it is time that we act—and act positively—on this most important item that is an inherent ingredient to fighting the war against inflation.

The SPEAKER pro tempore. The time of the gentleman from Wisconsin has expired.

Mr. SMITH of California. Mr. Chairman, I yield 1 additional minute to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Mr. Speaker, I thank the gentleman for yielding me the additional minute.

Mr. Speaker, I think some damage has already been done in our fight against inflation by the delays that have taken place, the psychological adverse effects of questioning "has Congress got the guts to do the things that are essential in this battle against inflation?"

There has been a wondering about our capability in that regard as a result of this delay. So let us today put an end to that speculation and show that certainly we, as Congressmen, have the fortitude to stand up and even do the hard things necessary in this battle against inflation by passing this legislation overwhelmingly today.

Mr. COLMER. Mr. Speaker, I yield the balance of my time to the very able gentleman, the gentleman from Arkansas (Mr. MILLS), chairman of the Committee on Ways and Means, to close debate.

Mr. MILLS. Mr. Speaker, I appreciate my friend, the gentleman from Mississippi, the chairman of the Committee on Rules, yielding this time so that I might discuss the matter presently before the House.

Mr. Speaker, as the membership will recall, on June 30 last, the House passed H.R. 1290, a bill making available additional revenues in the fiscal year 1970 of slightly over \$9 billion.

The matter before the House today

involves a part of that revenue—that portion of the bill which has to do with the 10-percent surcharge for the last 6 months in the calendar year 1969.

There is nothing, in my opinion, for the House to do except to approve the Senate amendment. Why do I say that?

Mr. Speaker, last year, in spite of all that was done by the Congress to obtain better control of fiscal policy, consumer prices rose from April 1968 through May 1969 by 6.9 percentage points.

Mr. Speaker, I am convinced in my own mind that if we do not continue the 10-percent surcharge and pick up the \$5.6 billion of revenue which is involved in it for the last 6 months of this year, we may well be faced with price increases in the next 12-month period that exceed those in the period I have referred to.

Inflation is the same as a sales tax at the Federal level. It is the same as a sales tax increasing to 6.9 percent during this period.

Mr. Speaker, even if the bill we passed on June 30 were to be enacted without change, the administrative budget, or the Federal funds budget, for the fiscal year 1970 would still have a deficit of \$5.1 billion.

If no part of that bill were to be enacted—including this 10 percent for 6 months—that deficit would be \$14.3 billion.

We know that is too much of a deficit if we are to avoid a material increase in prices for the period ahead. There are those who have said that the enactment of the surcharge legislation last year had no effect. I want to dispute that, and if that is the feeling of any Member on the floor of the House, I hope I can dissuade them from that conclusion.

If you will look at the quarterly percentage increases both in the real gross national product, and in the GNP in current dollars, you will see that consistently in each quarter since the second quarter of 1968, when the surcharge was enacted, the percentage rate of increase in the GNP has declined. In the second quarter of 1968, in terms of real or constant dollars the increase was 7.2 percent. In each month since that time the percentage has declined until it reached the level of 2.3 percent in the second quarter of 1969, the latest period for which we have data. In terms of current dollars the percentage was 11.2 percent in the second quarter of 1968 and 7.2 percent in the second quarter of 1969.

A decline in the rate of increase in the GNP is one of the first and most reliable indicators of a slowing down in the economy.

Let me assure you that our action last year has had some effect as you can see from what I have said. But if we do not continue the surcharge now, I believe we will have lost the advantage we have already gained from having the surcharge in effect for this past year. I am firmly convinced that if we do not extend the surcharge now we will have put the taxpayers to the cost of this additional revenue for no purpose whatsoever. They will have lost all that has been gained as a result of the bill's enactment.



Let me emphasize again that the evidence indicates clearly that the surcharge has slowed down the inflationary push but if we—just as its effect is really beginning to be felt—do not continue the tax, we will have undone all of this. Then the only effect would be that we would have cost the taxpayers all of these dollars for no good purpose whatsoever. At the same time we would then be unleashing the type of inflation that existed in April, May, and June of 1968. That is something we do not want to have happen. That we do not want to have as a part of the American way of life.

Mr. Speaker, let me turn now to another point. I cannot see that there is any justifiable reason now for Members who did not see fit to vote for the bill on June 30 turning it down. I well understood the feeling on the part of many Members who wanted to combine action on the surcharge with tax reform. But we have produced a tax-reform bill. It is here now, ready for House consideration. Under these circumstances, I do not, for the life of me, see how anyone who had

that view could possibly have any further excuse for not voting for the bill. I cannot see how anyone would use that as an excuse for further opposition.

At this point, I insert in the RECORD two tables to which I have referred in my comments. One summarizes the budget situation and the other indicates the increase in the gross national product on a quarterly basis in the past 4 years:

BUDGET AND REVENUE ESTIMATES  
BUDGET ESTIMATES FOR FISCAL YEARS 1969 AND 1970  
[In billions of dollars]

	Re- ceipts	Outlays	Surplus (+) or deficit (-)
(a) Preliminary budget results for fiscal year 1969:			
Federal funds.....	143.3	148.6	-5.3
Trust funds.....	44.6	36.2	+8.4
Unified budget.....	187.8	184.8	+3.1
(b) Budget estimates for fiscal year 1970, assuming enactment of H.R. 12290:			
Federal funds.....	148.6	153.7	-5.1
Trust funds.....	57.5	47.1	+10.3
Unified budget.....	198.1	192.9	+5.2

QUARTERLY INCREASES IN GROSS NATIONAL PRODUCT IN CURRENT AND CONSTANT DOLLARS

[In billions of dollars; seasonally adjusted annual rates]

Period	Current dollars			Constant dollars (1958=100)			Increase in real GNP as a per- centage of current GNP
	GNP	Change from preceding quarter Dollars	Percent <sup>1</sup>	GNP	Change from preceding quarter Dollars	Percent <sup>1</sup>	
1966:							
I.....	729.5			649.1			
II.....	743.3	13.8	7.56	655.0	5.9	3.64	42.75
III.....	755.9	12.6	6.80	660.2	5.2	3.16	41.27
IV.....	770.7	14.8	7.84	668.1	7.9	4.80	53.38
1967:							
I.....	774.2	3.5	1.80	666.5	-1.6	-.96	-31.37
II.....	783.5	9.3	4.80	670.5	4.0	2.40	43.01
III.....	800.4	16.9	8.60	678.0	7.5	4.48	44.38
IV.....	816.1	15.7	7.84	683.5	5.5	3.24	35.03
1968:							
I.....	835.3	19.2	9.40	693.3	9.8	5.72	51.04
II.....	858.7	23.4	11.20	705.8	12.5	7.20	53.42
III.....	876.4	17.7	8.24	712.8	7.0	3.96	39.54
IV.....	892.5	16.1	7.36	718.5	5.7	3.20	35.40
1969:							
I.....	908.7	16.2	7.28	723.1	4.6	2.56	28.39
II.....	925.1	16.4	7.20	727.3	4.2	2.32	25.60

<sup>1</sup> Quarterly increases expressed in annual rates; quarterly percentage increase is  $\frac{1}{4}$  of annual rate of increase.

Mr. CORMAN. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from California.

Mr. CORMAN. Mr. Speaker, I voted against the bill, and I think many of us did the last time, because portions of it were prospective in two ways. It had to do with low-income allowance and with the surtax for 6 months after January 1. Both of those matters are now properly handled in the omnibus tax bill. I will vote for this measure, and I hope all Members who have had some misgivings about an omnibus bill coming out this year will vote for this 6-month extension. I hope it carries by an overwhelming vote.

Mr. MADDEN. Mr. Speaker, I offer a preferential motion. I move to strike the enacting clause.

The SPEAKER. The Chair will state that that is not a preferential motion.

Mr. MADDEN. Mr. Speaker, we are having a debate here on the rule. I think a member of the Rules Committee should have an opportunity at least to

express for a few minutes his thoughts on the subject.

The SPEAKER. The Chair will state that control of the time, 1 hour, is in the hands of the gentleman from Mississippi. The chair is informed that the gentleman from California (Mr. SMITH) has 5 minutes remaining.

Mr. MADDEN. Mr. Speaker, will the gentleman from California yield 2 minutes to me?

Mr. SMITH of California. I would be happy to yield time to the gentleman from Arkansas (Mr. MILLS). I yield 2 minutes to the gentleman from Arkansas.

The SPEAKER. The gentleman from Arkansas is recognized for 2 minutes.

Mr. MADDEN. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Indiana for a question.

Mr. MADDEN. Mr. Speaker, the Members should be acquainted with the fact that, 1 year ago I voted against the 10-percent surtax legislation because if the fabulous and extravagant tax loopholes on big oil, big foundations, big real

estate, and so forth, were repealed we could get about \$15 billion into the Federal Treasury. I will vote against it again on the theory that there is no tax reform bill enacted into law. I have in my hands an excerpt from the Indianapolis Star, issue of Saturday, August 2, and I refer to a United Press article entitled, "Some Tax Bill Portions Given OK." The Treasury Under Secretary Charles Walker and Edwin S. Cohen, Assistant Secretary, in a press conference expressed themselves as follows:

The proposal to impose a 7½ percent tax on foundations now exempt was "somewhat high."

They are going to present their case to the Senate Finance Committee when and if passed by the House of Representatives. The article continues:

They also expressed reservations over a proposal to limit deductions on farm losses—

Those are the farms where they hide millions in taxes, trick "playboy" farms, used by rich taxpayers for tax deductions—

saying, it should be tightened to make sure the wealthy could not escape taxes completely through this device.

Further they stated:

Proposed tax increases on banks, savings and loan associations and other financial institutions should be held up pending a study of all bank legislation.

The Assistant Secretary of the Treasury Charles Walker, and Edwin Cohen, Assistant Secretary, are going to present their case before the Senate Finance Committee. I am talking about the executive department. They are not for this Ways and Means Committee tax reform bill according to the executive department Treasury officials.

According to the article,

Walker said the Administration was developing a comprehensive proposal for Senate consideration on taxation of oil, natural gas and other mineral industries. He said the Administration has not decided whether to support the Ways and Means plan to reduce the oil depletion allowance from 27½ percent to 20 percent.

Here is the executive department of the administration opposed to this bill, according to the Under Secretary and according to Edwin S. Cohen, and that is a United Press dispatch from Indianapolis. So we have no tax reform bill before us at all until the executive department officials take their protest up with the Finance Committee of the other body.

Mr. MILLS. Has the gentleman asked his question?

Mr. MADDEN. You would think a tax reform bill had been passed already if you listen to the speeches here on the floor this afternoon. When the Senate Finance Committee completes its remodeling of this House bill our Members may reject it by an overwhelming vote.

The SPEAKER. The time of the gentleman from Arkansas has again expired.

Mr. SMITH of California. I yield the gentleman from Arkansas 1 additional minute.



The SPEAKER. The gentleman from Arkansas is recognized for 1 additional minute.

Mr. MILLS. Mr. Speaker, I want to correct the erroneous impression that my friend, the gentleman from Indiana, gathered from the newspaper account, because I have before me, and I will read it to the gentleman, who serves on the Rules Committee, a letter from the Secretary of the Treasury, dated August 4, 1969:

I would like to express to you the deep appreciation of the Treasury for your untiring efforts and your sterling leadership of the Committee on Ways and Means in the development of the Tax Reform Act of 1969.

We believe that the bill is a milestone in tax legislation and will be long remembered as a major advance in achieving an equitable tax structure.

While, of course, we have some reservations about some of the provisions in the bill and would plan to make some suggestions for revision in the progress of the bill in the Senate, we sincerely believe that, in general, the bill represents a major step forward in tax legislation and urge its prompt passage by the House of Representatives.

Along with Under Secretary Walker, Assistant Secretary Cohen, and our entire staff, I should like to thank you and the Committee for the kind and patient consideration that you have given to our presentations before the Committee. It has been a great privilege for all of us to work with the Committee in this common effort to improve the tax structure of the nation.

That is signed by the Secretary of the Treasury. He is for this legislation, have no doubt about that.

Mr. COLMER. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

Mr. GROSS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

The question was taken; and on a division (demanded by Mr. JACOBS) there were—ayes 126, noes 61.

Mr. GROSS. Mr. Speaker, would the Speaker be good enough to repeat the result of the vote?

The SPEAKER. There were 126 Members voting in the affirmative and 61 in the negative.

Mr. JACOBS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Under count, evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 237, nays 170, not voting 25, as follows:

[Roll No. 136]

YEAS—237

Albert	Bell, Calif.	Brown, Mich.
Alexander	Betts	Brown, Ohio
Anderson, Ill.	Blester	Broyhill, N.C.
Anderson,	Blackburn	Broyhill, Va.
Tenn.	Boggs	Buchanan
Andrews,	Boland	Burke, Mass.
N. Dak.	Bolling	Burleson, Tex.
Annunzio	Bow	Burton, Utah
Ashley	Bray	Bush
Aspinall	Brock	Button
Ayres	Brooks	Byrnes, Wis.
Beall, Md.	Broomfield	Cabell
Belcher	Brotzman	Cahill

Camp	Hosmer	Pryor, Ark.
Carter	Hutchinson	Purcell
Casey	Joelson	Quie
Cederberg	Johnson, Pa.	Quillen
Celler	Jonas	Railsback
Chamberlain	Jones, Ala.	Reid, Ill.
Clausen,	Karth	Reifel
Don H.	Keith	Rhodes
Cleveland	King	Rivers
Collier	Kleppe	Robison
Collins	Kluczynski	Rogers, Fla.
Colmer	Koch	Ronan
Conable	Kuykendall	Rooney, Pa.
Corbett	Kyros	Rostenkowski
Corman	Landgrebe	Roth
Coughlin	Langen	Ruppe
Cramer	Latta	Ruth
Cunningham	Lloyd	St. Onge
Daddario	Lukens	Sandman
Davis, Wis.	McClory	Satterfield
de la Garza	McCloskey	Schneebeli
Dellenback	McClure	Schwengel
Denney	McCulloch	Sebelius
Dennis	McDade	Shriver
Derwinski	McDonald,	Sikes
Devine	Mich.	Skubitz
Dickinson	McEwen	Smith, Calif.
Dorn	McFall	Smith, Iowa
Downing	McKneally	Smith, N.Y.
Dwyer	MacGregor	Springer
Edwards, Ala.	Mahon	Stafford
Erlenborn	Mann	Stanton
Esch	Marsh	Steed
Eshleman	Martin	Steiger, Ariz.
Evans, Colo.	Mathias	Steiger, Wis.
Evins, Tenn.	May	Stratton
Fallon	Mayne	Sullivan
Findley	Miller, Calif.	Symington
Fish	Miller, Ohio	Talcott
Fisher	Mills	Teague, Calif.
Flynt	Minshall	Teague, Tex.
Foley	Mize	Thompson, Ga.
Ford, Gerald R.	Mizell	Thomson, Wis.
Fraser	Monagan	Udall
Frelinghuysen	Moorhead	Ullman
Frey	Morse	Utt
Friedel	Morton	Vander Jagt
Gallagher	Mosher	Waggonner
Giammo	Murphy, Ill.	Wampler
Goldwater	Murphy, N.Y.	Watkins
Green, Oreg.	Myers	Watson
Griffiths	Nedzi	Watts
Grover	Nelsen	Whalen
Gude	O'Hara	Whitehurst
Hall	O'Konski	Widnall
Halpern	O'Neill, Mass.	Wiggins
Hamilton	Patman	Williams
Hammer-	Pelly	Wilson, Bob
schmidt	Pepper	Winn
Hanna	Pettis	Wold
Hansen, Idaho	Pickle	Wright
Harvey	Pike	Wyatt
Hastings	Plrnie	Wylie
Hawkins	Poage	Wyman
Hébert	Poff	Young
Heckler, Mass.	Pollock	Zwach
Hogan	Preyer, N.C.	
Horton	Price, Tex.	

NAYS—170

Abbutt	Dawson	Hagan
Abernethy	Delaney	Haley
Adair	Dent	Hanley
Adams	Dingell	Hansen, Wash.
Addabbo	Donohue	Harsha
Anderson,	Dowdy	Hathaway
Calif.	Dulski	Hays
Andrews, Ala.	Duncan	Hechler, W. Va.
Barrett	Eckhardt	Helstoski
Bennett	Edmondson	Henderson
Bevill	Edwards, La.	Hicks
Biaggi	Eilberg	Holifield
Bingham	Farbsteln	Howard
Blanton	Feighan	Hull
Blatnik	Flood	Hungate
Brademas	Flowers	Hunt
Brasco	Ford,	Jacobs
Brinkley	William D.	Jarman
Burke, Fla.	Foreman	Johnson, Calif.
Burlison, Mo.	Fountain	Jones, N.C.
Burton, Calif.	Fulton, Pa.	Jones, Tenn.
Byrne, Pa.	Fulton, Tenn.	Kastenmeller
Caffery	Fuqua	Kazen
Chappell	Galifianakis	Kee
Chisholm	Garmatz	Kyl
Clancy	Gaydos	Landrum
Clark	Gettys	Leggett
Clawson, Del.	Gibbons	Long, La.
Cohelan	Gilbert	Long, Md.
Conyers	Gonzalez	Lowenstein
Cowger	Goodling	Lujan
Culver	Gray	McCarthy
Daniel, Va.	Green, Pa.	McMillan
Daniels, N.J.	Griffin	Macdonald,
Davis, Ga.	Gross	Mass.

Madden	Podell	Snyder
Matsunaga	Price, Ill.	Staggers
Meeds	Pucinski	Stevens
Melcher	Randall	Stokes
Meskill	Rees	Stubblefield
Michel	Reid, N.Y.	Taylor
Minish	Reuss	Thompson, N.J.
Mink	Riegle	Tiernen
Mollohan	Roberts	Van Deerlin
Montgomery	Rodino	Vanik
Morgan	Rogers, Colo.	Vigorito
Moss	Rooney, N.Y.	Waldie
Natcher	Rosenthal	Weicker
Nichols	Roudebush	White
Nix	Roybal	Whitten
Obey	Ryan	Wilson,
Olsen	St Germain	Charles H.
O'Neal, Ga.	Schadeberg	Wolff
Ottinger	Scherle	Wylder
Passman	Scheuer	Yates
Patten	Scott	Yatron
Perkins	Shipley	Zablocki
Philbin	Slack	Zion

NOT VOTING—25

Arends	Edwards, Calif.	Powell
Ashbrook	Fascell	Rarick
Baring	Gubser	Saylor
Berry	Ichord	Stuckey
Brown, Calif.	Kirwan	Taft
Carey	Lennon	Tunney
Clay	Lipscomb	Whalley
Conte	Mailliard	
Diggs	Mikva	

So the resolution was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Arends for, with Mr. Brown of California against.  
Mr. Conte for, with Mr. Stuckey against.  
Mr. Berry for, with Mr. Saylor against.  
Mr. Taft for, with Mr. Diggs against.  
Mr. Gubser for, with Mr. Baring against.

Until further notice:

Mr. Kirwan with Mr. Lipscomb.  
Mr. Carey with Mr. Mailliard.  
Mr. Edwards of California with Mr. Ashbrook.  
Mr. Lennon with Mr. Tunney.  
Mr. Mikva with Mr. Clay.  
Mr. Fascell with Mr. Ichord.

Mr. GARMATZ and Mr. DULSKI changed their votes from "yea" to "nay."

Mr. FISHER changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

The doors were opened.

The motion to reconsider was laid on the table.

#### GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on House Resolution 509, just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

#### CORRECTION OF ROLL CALL

Mr. ROONEY of Pennsylvania. Mr. Speaker, on rollcall No. 135, today, a quorum call, I am recorded as absent. I was present and answered to my name. I ask unanimous consent that the Record be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.











## An Act

To provide for the collection of the Federal unemployment tax in quarterly installments during each taxable year; to make status of employer depend on employment during preceding as well as current taxable year; to exclude from the computation of the excess the balance in the employment security administration account as of the close of fiscal years 1970 through 1972; to raise the limitation on the amount authorized to be made available for expenditure out of the employment security administration account by the amounts so excluded; and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 3306(a) of the Internal Revenue Code of 1954 (relating to definition of employer) is amended to read as follows:

“(a) **EMPLOYER.**—For purposes of this chapter, the term ‘employer’ does not include any person unless on each of some 20 days during the taxable year or during the preceding taxable year, each day being in a different calendar week, the total number of individuals who were employed by him in employment for some portion of the day (whether or not at the same moment of time) was 4 or more.”

Federal  
unemployment  
tax; employment  
security; tax  
surcharge.  
68A Stat. 447.  
26 USC 3306.

### SEC. 2. COLLECTION OF FEDERAL UNEMPLOYMENT TAX ON QUARTERLY OR OTHER TIME PERIOD BASIS.

(a) **QUARTERLY PAYMENT OF FEDERAL UNEMPLOYMENT TAX.**—Subchapter A of chapter 62 of the Internal Revenue Code of 1954 (relating to place and due date for payment of tax) is amended by striking out section 6157 and by inserting in lieu thereof the following:

26 USC 6151-  
6157.

### “SEC. 6157. PAYMENT OF FEDERAL UNEMPLOYMENT TAX ON QUARTERLY OR OTHER TIME PERIOD BASIS.

“(a) **GENERAL RULE.**—Every person who for the calendar year is an employer (as defined in section 3306(a)) shall—

“(1) if the person in the preceding calendar year employed 4 or more employees in employment (within the meaning of section 3306 (c) and (d)) on each of some 20 days during such preceding calendar year, each such day being in a different calendar week, compute the tax imposed by section 3301 for each of the first three calendar quarters in the calendar year, and

77 Stat. 51.

“(2) if paragraph (1) does not apply, compute the tax imposed by section 3301—

“(A) for the period beginning with the first day of the calendar year and ending with the last day of the calendar quarter (excluding the last calendar day) in which such person becomes such an employer, and

“(B) for the third calendar quarter of such year, if the period specified in subparagraph (A) includes only the first two calendar quarters of the calendar year.

83 STAT. 91  
83 STAT. 92

The tax for any calendar quarter or other period shall be computed as provided in subsection (b) and the tax as so computed shall, except as otherwise provided in subsections (c) and (d), be paid in such manner and at such time as may be provided in regulations prescribed by the Secretary or his delegate.

“(b) **COMPUTATION OF TAX.**—The tax for any calendar quarter or other period referred to in paragraph (1) or (2) of subsection (a) shall be computed by multiplying the amount of wages (as defined in section 3306(b)) paid in such calendar quarter or other period by the number of percentage points (including fractional points) by which the rate of tax specified in section 3301 exceeds 2.7 percent.

“(c) **SPECIAL RULE FOR CALENDAR YEARS 1970 AND 1971.**—For purposes of subsection (a), the tax computed as provided in subsection

(b) for any calendar quarter or other period shall be reduced (1) by 66 $\frac{2}{3}$  percent if such quarter or period is in 1970, and (2) by 33 $\frac{1}{3}$  percent if such quarter or period is in 1971.

“(d) SPECIAL RULE WHERE ACCUMULATED AMOUNT DOES NOT EXCEED \$100.—Nothing in this section shall require the payment of tax with respect to any calendar quarter or other period if the tax under section 3301 for such period, plus any unpaid amounts for prior periods in the calendar year, does not exceed \$100.”

(b) ASSESSMENT AUTHORITY.—Section 6201(b) of such Code (relating to assessment authority) is amended to read as follows:

“(b) AMOUNT NOT TO BE ASSESSED.—

“(1) ESTIMATED INCOME TAX.—No unpaid amount of estimated tax under section 6153 or 6154 shall be assessed.

“(2) FEDERAL UNEMPLOYMENT TAX.—No unpaid amount of Federal unemployment tax for any calendar quarter or other period of a calendar year, computed as provided in section 6157, shall be assessed.”

(c) TREATMENT OF QUARTERLY PAYMENT OF FEDERAL UNEMPLOYMENT TAX.—Subchapter B of chapter 64 of such Code is amended by adding at the end thereof the following new section:

“SEC. 6317. PAYMENTS OF FEDERAL UNEMPLOYMENT TAX FOR CALENDAR QUARTER.

“Payment of Federal unemployment tax for a calendar quarter or other period within a calendar year pursuant to section 6157 shall be considered payment on account of the tax imposed by chapter 23 of such calendar year.”

(d) TIME TAX CONSIDERED PAID.—Section 6513 of such Code (relating to time return deemed filed and tax considered paid) is amended by adding at the end thereof the following new subsection:

“(e) PAYMENTS OF FEDERAL UNEMPLOYMENT TAX.—Notwithstanding subsection (a), for purposes of section 6511 any payment of tax imposed by chapter 23 which, pursuant to section 6157, is made for a calendar quarter or other period within a calendar year shall, if made before the last day prescribed for filing the return for the calendar year (determined without regard to any extension of time for filing), be considered made on such last day.”

(e) INTEREST ON UNDERPAYMENTS OR NONPAYMENT OF TAX.—Section 6601 of such Code (relating to interest on underpayment or nonpayment of tax) is amended by redesignating subsection (k) as subsection (l) and by adding a new subsection (k) to read as follows:

“(k) EXCEPTION AS TO FEDERAL UNEMPLOYMENT TAX.—This section shall not apply to any failure to make a payment of tax imposed by section 3301 for a calendar quarter or other period within a taxable year required under authority of section 6157.”

(f) TECHNICAL AND CLERICAL AMENDMENTS.—

(1) The table of sections for subchapter A of chapter 62 of the Internal Revenue Code of 1954 is amended by striking out

“Sec. 6157. Payment of taxes under provisions of the Tariff Act.”

and inserting in lieu thereof

“Sec. 6157. Payment of Federal unemployment tax on quarterly or other time period basis.”

(2) The table of sections for subchapter B of chapter 64 of such Code is amended by adding at the end thereof the following:

“Sec. 6317. Payments of Federal unemployment tax for calendar quarter.”

SEC. 3. EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT.

(a) Paragraph (3) of section 901(c) of the Social Security Act is amended to read as follows:

68A Stat. 439;

77 Stat. 51.

26 USC 3301.

68A Stat. 768.

82 Stat. 260.

Ante, p. 91.

26 USC 6311-

6316.

26 USC 3301-

3309.

26 USC 6513.

26 USC 6511.

80 Stat. 104.

83 STAT. 92

83 STAT. 93

26 USC 6151-

6157.

77 Stat. 51.

42 USC 1101.



“(3) For purposes of paragraph (1)(A), the limitation on the amount authorized to be made available for any fiscal year is an amount equal to 95 percent of the amount estimated and set forth in the budget of the United States Government for such fiscal year as the net receipts during such year under the Federal Unemployment Tax Act; except that this limitation is increased by any unexpended amount retained in the employment security administration account in accordance with section 901(f)(2)(B). Each estimate of net receipts under this paragraph shall be based upon a tax rate of 0.4 percent.”

68A Stat. 439.  
26 USC 3301-3309.  
Infra.

(b) Paragraph (2) of section 901(f) of such Act is amended (1) by striking out “The” and inserting in lieu thereof “(A) Except as provided in subparagraph (B), the”, and (2) by adding at the end thereof the following:

74 Stat. 973.  
42 USC 1101.

“(B) With respect to the fiscal years ending June 30, 1970, June 30, 1971, and June 30, 1972, the balance in the employment security administration account at the close of each such fiscal year shall not be considered excess but shall be retained in the account for use as provided in paragraph (1) of subsection (c).”

SEC. 4. EFFECTIVE DATE.

(a) The amendments made by the first two sections of this Act shall apply with respect to calendar years beginning after December 31, 1969.

(b) The amendments made by section 3 shall take effect upon enactment of this Act.

SEC. 5. EXTENSION OF TAX SURCHARGE.

(a) SURCHARGE EXTENSION.—Section 51(a) of the Internal Revenue Code of 1954 (relating to imposition of tax surcharge) is amended—

82 Stat. 252.  
26 USC 51.

(1) by striking out so much of paragraph (1)(A) as follows the table heading “CALENDAR YEAR 1969” and inserting in lieu thereof the following:

83 STAT. 93

“TABLE 1.—SINGLE PERSON (OTHER THAN HEAD OF HOUSEHOLD) AND MARRIED PERSONS FILING SEPARATE RETURN

83 STAT. 94

If the adjusted tax is:			If the adjusted tax is:			If the adjusted tax is:		
At least	But less than	The tax is—	At least	But less than	The tax is—	At least	But less than	The tax is—
0	\$148	0	\$268	\$273	\$25	\$495	\$505	\$50
\$148	153	\$1	273	278	26	505	515	51
153	158	2	278	283	27	515	525	52
158	163	3	283	288	28	525	535	53
163	168	4	288	295	29	535	545	54
168	173	5	295	305	30	545	555	55
173	178	6	305	315	31	555	565	56
178	183	7	315	325	32	565	575	57
183	188	8	325	335	33	575	585	58
188	193	9	335	345	34	585	595	59
193	198	10	345	355	35	595	605	60
198	203	11	355	365	36	605	615	61
203	208	12	365	375	37	615	625	62
208	213	13	375	385	38	625	635	63
213	218	14	385	395	39	635	645	64
218	223	15	395	405	40	645	655	65
223	228	16	405	415	41	655	665	66
228	233	17	415	425	42	665	675	67
233	238	18	425	435	43	675	685	68
238	243	19	435	445	44	685	695	69
243	248	20	445	455	45	695	705	70
248	253	21	455	465	46	705	715	71
253	258	22	465	475	47	715	725	72
258	263	23	475	485	48	725	735	73
263	268	24	485	495	49	735 and over, 10% of the adjusted tax		

TABLE 2.—HEAD OF HOUSEHOLD

If the adjusted tax is:			If the adjusted tax is:			If the adjusted tax is:		
At least	But less than	The tax is —	At least	But less than	The tax is —	At least	But less than	The tax is —
0	\$223	0	\$343	\$348	\$25	\$495	\$505	\$50
\$223	228	\$1	348	353	26	505	515	51
228	233	2	353	358	27	515	525	52
233	238	3	358	363	28	525	535	53
238	243	4	363	368	29	535	545	54
243	248	5	368	373	30	545	555	55
248	253	6	373	378	31	555	565	56
253	258	7	378	383	32	565	575	57
258	263	8	383	388	33	575	585	58
263	268	9	388	393	34	585	595	59
268	273	10	393	398	35	595	605	60
273	278	11	398	403	36	605	615	61
278	283	12	403	408	37	615	625	62
283	288	13	408	413	38	625	635	63
288	293	14	413	418	39	635	645	64
293	298	15	418	423	40	645	655	65
298	303	16	423	428	41	655	665	66
303	308	17	428	433	42	665	675	67
308	313	18	433	438	43	675	685	68
313	318	19	438	445	44	685	695	69
318	323	20	445	455	45	695	705	70
323	328	21	455	465	46	705	715	71
328	333	22	465	475	47	715	725	72
333	338	23	475	485	48	725	735	73
338	343	24	485	495	49	735 and over, 10% of the adjusted tax		

83 STAT. 94

83 STAT. 95

TABLE 3.—MARRIED PERSONS OR SURVIVING SPOUSE FILING JOINT RETURN

If the adjusted tax is:			If the adjusted tax is:			If the adjusted tax is:		
At least	But less than	The tax is —	At least	But less than	The tax is —	At least	But less than	The tax is —
0	\$293	0	\$413	\$418	\$25	\$538	\$543	\$50
\$293	298	\$1	418	423	26	543	548	51
298	303	2	423	428	27	548	553	52
303	308	3	428	433	28	553	558	53
308	313	4	433	438	29	558	563	54
313	318	5	438	443	30	563	568	55
318	323	6	443	448	31	568	573	56
323	328	7	448	453	32	573	578	57
328	333	8	453	458	33	578	585	58
333	338	9	458	463	34	585	595	59
338	343	10	463	468	35	595	605	60
343	348	11	468	473	36	605	615	61
348	353	12	473	478	37	615	625	62
353	358	13	478	483	38	625	635	63
358	363	14	483	488	39	635	645	64
363	368	15	488	493	40	645	655	65
368	373	16	493	498	41	655	665	66
373	378	17	498	503	42	665	675	67
378	383	18	503	508	43	675	685	68
383	388	19	508	513	44	685	695	69
388	393	20	513	518	45	695	705	70
393	398	21	518	523	46	705	715	71
398	403	22	523	528	47	715	725	72
403	408	23	528	533	48	725	735	73
408	413	24	533	538	49	735 and over, 10% of the adjusted tax"		

82 Stat. 254.  
26 USC 51.

(2) by striking out the table in paragraph (1) (B) and inserting in lieu thereof the following table:

Calendar year	Percent	
	Estates and trusts	Corporations
1968.....	7.5	10.0
1969.....	10.0	10.0"

and



(3) by striking out "July 1, 1969" each place it appears in paragraph (2)(A) and inserting in lieu thereof "January 1, 1970". 82 Stat. 254.

(b) RECEIPT OF MINIMUM DISTRIBUTIONS.—The last sentence of section 963(b) of such Code (relating to receipt of minimum distributions by domestic corporations) is amended by striking out "June 30, 1969" and inserting in lieu thereof "December 31, 1969". Surchage period. 82 Stat. 256. 26 USC 963.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a) and (b) shall apply to taxable years ending after June 30, 1969, and beginning before January 1, 1970.

(2) DECLARATIONS OF ESTIMATED TAX.—If any taxpayer is required to make a declaration or amended declaration of estimated tax, or to pay any amount or additional amount of estimated tax, by reason of the amendments made by this section, such amount or additional amount shall be paid ratably on or before each of the remaining installment dates for the taxable year beginning with the first installment date on or after the 30th day after the date of enactment of this Act. With respect to any declaration or payment of estimated tax before such first installment date, sections 6015, 6154, 6654, and 6655 of the Internal Revenue Code of 1954 shall be applied without regard to the amendments made by this section. For purposes of this paragraph, the term "installment date" means any date on which, under section 6153 or 6154 of such Code (whichever is applicable), an installment payment of estimated tax is required to be made by the taxpayer. 83 STAT. 95 83 STAT. 96 68A Stat. 737-825. 82 Stat. 260. "Installment date."

SEC. 6. EXTENSION OF WITHHOLDING TAX.

(a) Section 3402 of the Internal Revenue Code of 1954 (relating to income tax collected at source) is amended—

(1) by striking out "July 31, 1969" in subsection (a)(1) and inserting in lieu thereof "December 31, 1969";

(2) by striking out "August 1, 1969" in subsection (a)(2) and inserting in lieu thereof "January 1, 1970"; and

(3) by striking out "August 1, 1969" in subsection (c)(6) and inserting in lieu thereof "January 1, 1970".

(b) The amendments made by this section shall apply with respect to wages paid after July 31, 1969, and before January 1, 1970. 26 USC 3402. Ante, p. 42.

Approved August 7, 1969.

Effective date.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 91-155 (Comm. on Ways & Means).

SENATE REPORT No. 91-281 (Comm. on Finance).

CONGRESSIONAL RECORD, Vol. 115 (1969):

May 13: Considered and passed House.

July 30, 31: Considered and passed Senate, amended.

Aug. 4: House agreed to Senate amendment.

